

City of St. Clair Shores, Michigan

**Comprehensive Annual Financial Report
with Supplemental Information
Prepared by the Department of Finance
for the Fiscal Year Ended June 30, 2008**

City of St. Clair Shores, Michigan

Contents

Introductory Section

Letter of Transmittal	i-vii
GFOA Certificate of Achievement	viii
Map of City with Street Millage Construction	ix-x
Organizational Chart	xi
List of Principal Officials	xii
Fund Organization Chart	xiii

Financial Section

Report Letter	1-2
Management's Discussion and Analysis	3-11

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Assets (Deficit)	12
Statement of Activities	13-14

Fund Financial Statements:

Governmental Funds:

Balance Sheet	15-16
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	17
Statement of Revenue, Expenditures, and Changes in Fund Balances	18-19
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20

Proprietary Funds:

Statement of Net Assets	21
Statement of Revenue, Expenses, and Changes in Net Assets	22
Statement of Cash Flows	23

City of St. Clair Shores, Michigan

Contents (Continued)

Financial Section (Continued)

Fund Financial Statements (Continued):

Fiduciary Funds:

Statement of Net Assets 24

Statement of Changes in Net Assets - Pension and Other Employee
Benefit Trust Funds 25

Component Units:

Statement of Net Assets (Deficit) 26

Statement of Activities 27-28

Notes to Financial Statements 29-65

Required Supplemental Information 66

Budgetary Comparison Schedule - General Fund 67-68

Budgetary Comparison Schedule - Major Special Revenue Funds 69-70

Retirement Systems Schedule of Funding Progress 71-72

Note to Required Supplemental Information 73

Other Supplemental Information 74

Nonmajor Governmental Funds:

Combining Balance Sheet 75-76

Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances 77-78

Budgetary Comparison Schedule - Nonmajor Governmental Funds 79-84

Internal Service Funds:

Combining Statement of Net Assets 85

Combining Statement of Revenue, Expenses, and Changes in Net
Assets 86

Combining Statement of Cash Flows 87

Fiduciary Funds:

Combining Statement of Pension and Other Employee Benefit
Trust Funds 88

Combining Statement of Changes in Net Assets - Pension and Other
Employee Benefit Trust Funds 89

Combining Statement of Agency Funds 90

Combining Statement of Changes in Assets and Liabilities - Agency Funds 91

City of St. Clair Shores, Michigan

Contents (Continued)

<u>Statistical Section</u>	92-93
Financial Trend Information:	
Change in Net Assets - Governmental Activities	94
Change in Net Assets - Business-type Activities	95
Change in Fund Balance - Governmental Funds	96-97
Governmental Fund Balance Designations	98-99
Government-wide Net Assets by Component	100
Revenue Capacity Information - Taxable Value and Actual Value of Taxable Property	101-102
Debt Capacity Information:	
Pledged Revenue Coverage	103-104
Ratio of Outstanding Debt	105-106
Ratio of General Bonded Debt Outstanding	107-108
Computation of Direct and Overlapping Debt	109
Demographic and Economic Information - Demographic and Economic Statistics	110
Operating Information:	
Full-time Equivalent Government Employees	111-112
Operating Indicators	113-118
Capital Asset Statistics	119-120
<u>Continuing Disclosure Items</u>	121
Property Tax Rates - Direct and Overlapping Government	122-124
State Equalized Valuation and Taxable Valuation	125
Breakdown of Current Taxable Valuation	126
Property Tax Levy and Collections	127
Tax Rate Limitations	128
Population	129
Receipts of Gas and Weight Taxes	130
Computation of Legal Debt Margin	131-132
Debt Statement	133
Revenue-sharing Payments from the State of Michigan - General, Special Revenue, and Debt Service Funds	134
General Fund Revenues from the State of Michigan	135
Principal Employers	136
Principal Taxpayers	137
Water Sold vs. Water Purchased	138
Water Customers and Consumption	139
History of Utility Rates	140-141
Sewer Rates - Commercial and Industrial Users	142
History of Residential Water and Sewer Rate Increases	143
Ten Largest Water and Sewer Customers	144

City of St. Clair Shores, Michigan

Contents (Continued)

Continuing Disclosure Items (Continued)

Historical Net Earnings, Cash Flow, and Debt Service Coverage - Utility Fund	145
Schedule of Bond Maturities	146
General Fund - Fund Balance	147

City of St. Clair Shores

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Mayor

Robert A. Hison

Mayor Pro-Tem

Beverly A. McFadyen

City Manager

Kenneth R. Podolski

Director of Finance / Treasurer

Timothy P. Haney

586-447-3325

tim@scsmi.net

**Council Members:**

Matthew S. Ahearn

Ronald J. Frederick

Mark J. Moffitt

David J. Rubello

Kip C. Walby

October 22, 2008

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of St. Clair Shores:

The Comprehensive Annual Financial Report (CAFR) of the City of St. Clair Shores for the year ended June 30, 2008 is hereby submitted. The basic financial statements as defined in the table of contents were audited by Plante & Moran, PLLC, Certified Public Accountants. Their unqualified opinion follows this letter of transmittal. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the governmental activities, business-type activities, the various funds and component units of the City of St. Clair Shores. All disclosures necessary to enable the reader to gain an understanding of the City of St. Clair Shores activities have been included. The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Continuing Disclosure. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the City of St. Clair Shores' principal appointed officials. The financial section includes: the Management's Discussion and Analysis; the Basic Financial Statements which are comprised of the entity-wide financial statements, fund financial statements and schedules; and the required and other supplemental information on the budgetary comparison schedules, pension plans and combining financial statements for non-major funds. The statistical section, also unaudited, includes selected financial and demographic information, generally presented on a multi-year basis. Finally, the unaudited continuing disclosure section contains information required by the Securities and Exchange Commission Rule 15c2-12 requiring that issuers of municipal securities undertake in a written contract for the benefit of the holders of such securities to provide certain annual financial information to various information repositories.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City of St. Clair Shores' MD&A can be found immediately following the report of the independent auditor.

The Reporting Entity and Services Provided

The City of St. Clair Shores (the "City") has defined its financial reporting entity in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). The City of St. Clair Shores includes all the funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the Mayor and City Council. Based upon these criteria, the Economic Development Corporation, the Tax Increment Finance Authority and the Brownfield Redevelopment Authority have been included in this report.

The City of St. Clair Shores provides a full range of services including police and fire protection; sanitation services; construction and maintenance of highways, streets and infrastructure, planning and zoning; library services, recreational activities and cultural events. Additionally, water and sewer services are provided under an Enterprise Fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt.

Local Economy and Governmental Structure

The City of St. Clair Shores is located in the southeast corner of Macomb County, north of the City of Detroit, in southeastern Michigan on Lake St. Clair. The City contains approximately 11.6 square miles with a population of 63,096 persons as reported by the U. S. Bureau of the Census for calendar year 2000. The City currently has an 8.5 percent unemployment rate as compared to a statewide rate of 8.7 percent and a national average of 6.1 percent.

Incorporated in 1951, the City operates under a Council/Manager form of government. Voters elect a Mayor and a six member Council in staggered four year terms. The Mayor and Council are the legislative body of the City, responsible for adoption and implementation of ordinances, policies, budget guidelines and upholding the Charter. The City Manager administers the day-to-day operations of the City and makes recommendations to City Council.

The City of St. Clair Shores has grown over the years to a point where less than 1 percent of its total land area is vacant. Most growth taking place in Macomb County occurs to the northwest. The I-696 and I-94 freeways running through St. Clair Shores provide a corridor of opportunity for redevelopment and enhancement of existing development.

There is no question the future years will be challenging as expenditure increases are expected to continue to exceed revenues. The current five year economic projection shows revenues increasing 0 to 4 percent while expenditures will increase at 2 to 5 percent unless changes are made. It is management's goal to maintain high quality services during times of economic uncertainty. The City has adopted prudent and conservative financial policies, which will help guide us through the upcoming years.

Therefore, management and Council have designated \$11.6 million to carry forward to balance future year's operations. Included in the carry forward amount is \$0.9 million committed to ongoing projects at year end leaving \$10.7 million to help balance future years. The current budget (FY 2009) has a structural deficit with expenditures exceeding revenues by \$4.0 million. It is anticipated that the carry forward funds will be used up between 2010 and 2011 without additional revenue sources such as the Police and Fire millage described below. The City has a weakening property tax base and management believes that assessed and taxable value will be nearly equal at December 31, 2008, with the expectation that each value will continue to decline for the foreseeable future. Management believes it can meet the challenges confronting us in the near future with conservative budgeting and the renewal of the Police and Fire operating tax in 2011.

On November 6, 2007 the local millage of 1.5656 mills to support Police and Fire Services was successfully renewed. This funding secures the staffing levels at 101 for the Police department and 50 for the Fire department. This millage expires June 30, 2011.

Long-term Financial Planning

The City has relied on its five-year financial model since 1996 to help make long term plans. The model enables administration to project fund balance given various assumptions based on the economy and changes in major revenue and expenditure items. This model justified the downsizing of the workforce over 15% since fiscal year 2002. Through conservative budgeting and the revenue from the Police and Fire operating millage the model projects that we can continue to balance the budgets through fiscal year 2011. If the Police and Fire operating millage is not renewed for fiscal years 2012 and beyond, additional downsizing will be necessary. In keeping with the policy of balancing future years through the use of the model and conservative budgeting, the General Fund fund balance designated for subsequent years' expenditures has been increased.

Major Initiatives

The following were among the many activities and accomplishments to which both the elected officials and staff devoted their energies in fiscal year 2007-2008:

- 1) Conservative budgeting practices continued throughout the year. The carryover to subsequent years is \$11.6 million with \$0.9 million designated for specific projects.
- 2) The Police and Fire operating levy became effective July 1, 2005 and was renewed November 6, 2007. The levy guarantees minimum staffing at the Police department of 101 and Fire department 50. Highlights from the fiscal year include:

Police and Fire Operating Millage Fiscal year ended June 30, 2008		
Tax levy	\$3,063,944	
	<u>Police</u>	<u>Fire</u>
Active employees	101	50
Department expenditures	\$12,289,677	\$6,692,617

The millage expires with the July 1, 2010 levy for the fiscal year ending June 30, 2011.

- 3) All staff positions continue to be evaluated when they become open.
- 4) The residential street millage program continued for the thirteenth year in a row. To date we have collected \$19,902,762 and expended \$18,978,477 as detailed on the maps following this letter. The balance of \$924,477 is reserved for qualifying expenditures in the following year. The millage expires with the July 1, 2009 levy for the fiscal year ending June 30, 2010.
- 5) St. Clair Shores' voters approved a tax levy of up to 2 mills to finance federal and state mandated improvements on the Jefferson Interceptor and repairs to sanitary sewers city wide in September 1999 – dubbed the Lake St. Clair Clean Water Initiative Project. Construction of improvements for this massive infrastructure project continued this fiscal year. To date all of the residential sanitary sewers have been televised and repairs and improvements are ongoing under this project. The residential sewers repaired at the beginning of this undertaking are now being cleaned and televised again to see that the repairs are holding up properly.
- 6) An active blight program aimed at maintaining property values continues to be a successful project citywide. To date, 140+ principle structures have been demolished, leaving room for new development which is a catalyst for numerous neighborhood improvements.
- 7) Police and Fire operations represent about 43 percent of the City's general operating budget. Both Police and Fire departments continue to operate effectively with 27,619 and 7,050 incident responses, respectively.
- 8) The recreational opportunities at this City's disposal rival any community in southeast Michigan. Volunteers should be credited with much of the success of these operations; over 720 coaches participated in baseball, soccer, basketball, and skating associations. The civic ice arenas are utilized regularly by over 1600 skating club members in addition to the over 6,900 open skating participants. 20,238 Volunteer hours were logged at the senior center and there were over 22,171 visits at the pool / waterslide. The St. Clair Shores Golf Course and Country Club had 49,548 rounds of golf.

Some of the Major Initiatives for July 1, 2008 and thereafter are as follows:

- 1) The sewer repair and construction necessary under the Clean Water Initiative continues.
The Community Development Department continues to implement the Harper Avenue Revitalization Plan. The Corridor Improvement Authority became active at the beginning of the year.
- 2) We continue to monitor the water loss in the Utility Fund. Water loss has returned to its long term average of 15 percent. Staff continues to take proactive steps to keep the water loss low.
- 3) We have eliminated 49 positions in the last five years and almost all capital spending. Some capital spending is planned for Fiscal year 2009 for critical items. The slowdown in the economy and the problems the State of Michigan is having balancing its own budget will seriously affect future budgets. The value of the 49 positions eliminated exceeds \$4.7 million per year.
- 4) Statutory state shared revenues continue to be at risk. The most recent estimate from the State places statutory revenue sharing at \$1.3 million for the fiscal year ending June 30, 2009. At this time the State has a balanced budget. However, the economy in Michigan continues to decline thereby reducing property values and tax revenues, leaving statutory revenue sharing at risk along with a host of other funding for streets and infrastructure.

Budgeting and Internal Controls

In accordance with State law, the City's budget is prepared on the modified accrual basis for governmental type funds, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a liability is incurred, except for interest on long-term debt and accrued leave time. Governmental fund types, such as the City's General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds are reported on the modified accrual basis. The City's Enterprise Funds, Internal Service Funds, Pension, and other Employee Benefit Trust Funds are reported on the full accrual basis, under which revenues are recorded when earned and expenses are recorded when incurred.

The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the General Fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level for the General Fund, Special Revenue Funds and certain Debt Service Funds. However, for internal accounting purposes, budgetary control is maintained by object class (line account) for all funds. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Purchase orders that would create an over encumbrance are not written until additional appropriations are available. Encumbered accounts lapse at year-end. However, any encumbrances outstanding at June 30, 2008 are generally reported as designated fund balance for subsequent year expenditures. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

The city relies on a sound system of internal controls over financial reporting and federal program compliance. A system of internal control has been established for the purpose of preventing or detecting errors, misappropriation of assets and fraudulent financial reporting. The system of internal controls relies on the integrity of the people who work for the city.

Pension and Other Postemployment Benefits

The City has two Pension Trust Funds: the Employee's Retirement System created by City Charter on July 1, 1951 and the Police and Fire Retirement System created under public act 345 and collective bargaining. An actuarial study determines the funding required by the City to meet its future benefit obligations. In the most recent Actuarial Report for the period ending June 30, 2007, the total estimated Actuarial Accrued Liabilities was \$53,868,304 for the Employees' Retirement System and \$111,001,598 for the Police and Fire Retirement System. One method of assessing the financial strength of a pension fund is to compute the percentage of liabilities that have been funded. This percentage at June 30, 2007, was 83.0 percent for the Employees Retirement System, compared to 80.5 percent at June 30, 2006, and 90.0 percent for the Police and Fire Retirement System compared to 87.1 percent as of June 30, 2006. In both pension systems the valuation of assets kept pace with increases in liabilities.

The City also provides post retirement health care benefits for retirees and their dependents. As of the end of the current year, there were a total of 372 retirees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits at this time. However, GASB statements 43 and 45 will soon change reporting requirements. In 2000, the City created the Police & Fire Retiree Health Trust and began setting aside \$250,000 per year toward this unfunded liability for Police & Fire retirees. In the last fiscal year, the City created the General Employees Retiree Health Care Trust and began funding it with Medicare part D refunds. The two retiree health care plans have disclosed in footnote 13, on an actuarial basis, their liabilities for the year ended June 30, 2008 (GASB 43). The City will disclose these liabilities for the year ended June 30, 2009 (GASB 45). In the most recently agreed to collective bargaining agreements, the City has been able to make a variety of changes in the areas of pension and retiree health care. Examples of these changes include the closing of our defined benefit pension plan for new hires in some non-public safety groups; increasing co-pays and replacing traditional health plans with less costly PPO plans for some retirees; and creating language that has the level of insurance coverage for new retirees changing as changes occur for active employees. While none of these changes have been made across the board for all groups, we believe that we are making positive movement toward reducing these legacy costs. During the 2009 fiscal year, management has budgeted to fund 100 percent of the actuarially required contribution for retiree health care.

Cash Management

It is the policy of the City of St. Clair Shores to invest public funds in a manner that will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City and conforming to all State statutes and local ordinances governing the investment of public funds. Cash temporarily idle during the year was invested in demand deposits, certificates of deposits and mutual funds investing in obligations of the U.S. government.

Risk Management

St. Clair Shores is a member of the Michigan Municipal Risk Management Authority (MMRMA). The MMRMA is a self-insured association with a membership of approximately 1,170 local government units in Michigan. It provides risk management, claims administration, legal defense and reinsurance services for its members.

The City is also self-insured for workers compensation and medical benefits coverage. We use The Accident Fund Insurance Company of America as a third party administrator of the workers' compensation program and purchase reinsurance from them. We utilize Blue Cross Blue Shield as a third party administrator of a self-funded medical benefits program and purchase reinsurance insurance from them.

Awards

For the twelfth year in a row, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Clair Shores for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

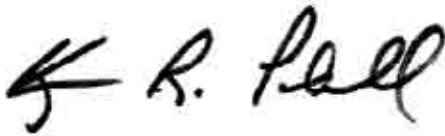
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR's must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of St. Clair Shores has received a Certificate of Achievement for the last thirteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

The preparation of the comprehensive financial report on a timely basis was made possible by the dedicated service of the entire staff of the Department of Finance and our independent auditors Plante & Moran, PLLC, CPAs. Each of them has our sincere thanks. In closing, without the leadership and support of the Mayor and City Council, preparation of this report would not have been possible.

Sincerely,

A handwritten signature in black ink, appearing to read "K. R. Podolski".

Kenneth R. Podolski
City Manager

A handwritten signature in black ink, appearing to read "Timothy P. Haney".

Timothy P. Haney
Director of Finance and City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of St. Clair Shores
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

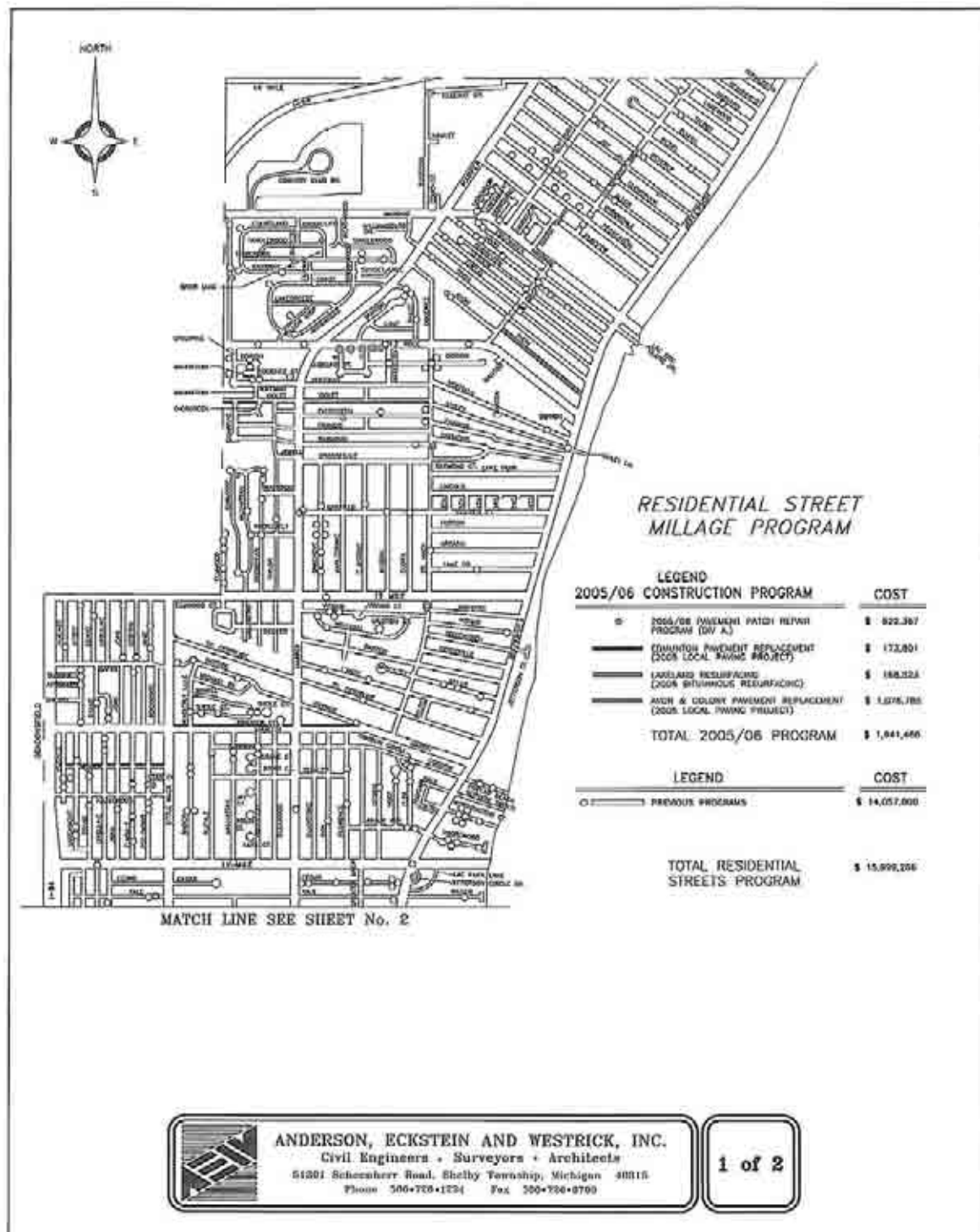


Charles S. Cox

President

Jeffrey R. Enos

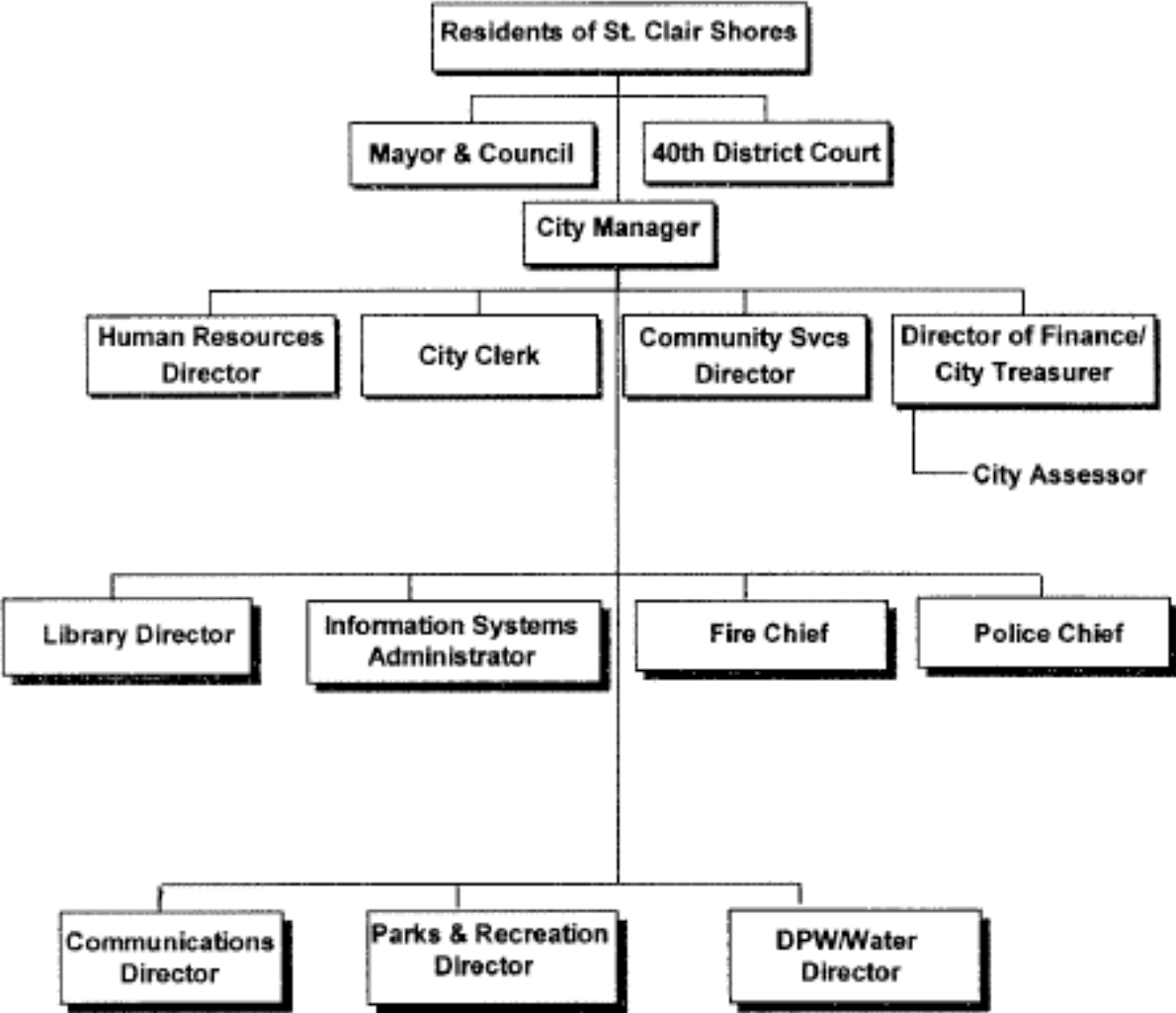
Executive Director



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1 of 2

**City of St. Clair Shores, Michigan
Organizational Chart**



City of St. Clair Shores, Michigan

List of Principal Officials June 30, 2008

City Manager

Kenneth R. Podolski, City Manager
Michael E. Smith, Human Resource Director
Robert Ihrle, City Attorney

City Clerk

Mary A. Kotowski, City Clerk
Kim Irvine, Deputy City Clerk

Community Development

Christopher R. Rayes, Director of Community Services
Sandra Wolny, Code Enforcement Supervisor
Elizabeth Koto, City Planner
Dennis Cairns, Chief Building Official

District Court

Carolyn Povich, Court Administrator

Department of Public Works

Curtis L. Dumas Jr., Department of Public Works/Water Director

Finance

Timothy P. Haney, Director of Finance/Treasurer
Sharon A. Schuster, Controller
Susan Kroening, Assistant Controller
Scott Vandermergel, City Assessor

Fire

Matthew M. Kovalcik, Fire Chief

Information Systems

Greg Corless, Information Systems Administrator

Library and Information Services

RoseMary Orlando, City Librarian
Sue Ann Mihalic, Assistant Librarian
Mary Jane D'Herde, Communication Director

Parks and Recreation

Gregory Esler, Parks and Recreation Director
Timothy J. Dorner, Golf Course Superintendent

Police

Charles R. Burnett, Police Chief
Ronald F. Willette, Deputy Police Chief

City of St. Clair Shores, Michigan

Fund Organization Chart

Governmental Funds	
General	Special Revenue
General Fund Activity	Library State Aid Library Penal Fund Major Streets Local Streets Court Building Drug Law Enforcement Community Development Block Grant (CDBG) Family Rental Program
Debt Service	Capital Projects
Debt Service Building Authority 1989 MVH Debt Retirement 1991 MVH Debt Retirement 1994 MVH Debt Retirement SEMSD Clean Water Initiative	SEMSD Clean Water Initiative Harper Avenue Streetscape
Proprietary Funds	
Enterprise	Internal Service
Recreational Revenue Utility	Motor Pool Computer Replacement
Fiduciary Funds	
Pension Trust	Agency
General Employees' Pension Fund Police and Fire Retirement System	General Agency Tax Collections
Other Employee Benefit Trust Fund	
Police and Fire Retiree Health Care General Employees' Retiree Health Care	
Component Units	
Economic Development Corporation Tax Increment Finance Authority (TIFA) Brownfield Redevelopment Authority	



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Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of St. Clair Shores, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair Shores, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Clair Shores, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair Shores, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement systems schedules of funding progress, and the budgetary comparison schedules for the major governmental funds, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and Members
of the City Council
City of St. Clair Shores, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Clair Shores, Michigan's basic financial statements. The accompanying introductory section, other supplemental information, statistical section, and continuing disclosure items, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, statistical section, and continuing disclosure items have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2008 on our consideration of the City of St. Clair Shores, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 22, 2008

City of St. Clair Shores, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

Our discussion and analysis of the City of St. Clair Shore's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter on pages i-vii and the City's financial statements which begin on page 12.

Financial Highlights

- The City's overall net assets increased \$7,969,514 or 4.8 percent as a result of this year's operations. Net assets of our governmental activities increased \$4,004,036 or 3.2 percent; net assets of our business-type activities increased \$3,965,478 or 9.2 percent.
- During the year, the City had revenue and transfers out in governmental activities that were \$4,004,036 more than the \$52,848,399 in expenses.
- In the City's business-type activities, revenues and transfers in were \$19,826,661 while expenses were \$15,861,183.
- The General Fund reported revenues in excess of expenditures and transfers of \$2,890,207.
- General Fund revenues were less than budget by \$144,730 while expenditures were \$4,771,687 less than budgeted.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets (deficit) includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

- **Government Activities** - Most of the City's basic services are included here such as the police, fire, public works and parks departments, and general administration. Property taxes, state-shared revenue, charges for services, and grants provide most of the funding.
- **Business-type Activities** - The City charges fees to customers to cover costs of providing water and sewer services.
- **Component Units** - The City includes three other entities in its report, the Economic Development Corporation, the Tax Increment Finance Authority, and the Brownfield Redevelopment Authority. Although legally separate, these "component units" are important because the City exercises control over them.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The City's combined net assets are approximately \$175 million at June 30, 2008. Business-type activities make up approximately \$47 million and governmental activities make up approximately \$128 million. Combined revenues are \$76.7 million. Revenues from governmental-type activities make up \$60.3 million and business-type are \$16.4 million. The tables below show a comparison of the current year to last year.

City of St. Clair Shores - Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 54,554,089	\$ 51,266,898	\$ 23,637,065	\$ 23,161,188	\$ 78,191,154	\$ 74,428,086
Capital assets	<u>99,872,531</u>	<u>100,051,906</u>	<u>67,212,737</u>	<u>65,541,344</u>	<u>167,085,268</u>	<u>165,593,250</u>
Total assets	154,426,620	151,318,804	90,849,802	88,702,532	245,276,422	240,021,336
Liabilities						
Long-term liabilities outstanding	16,612,471	17,345,027	40,086,639	41,854,970	56,699,110	59,199,997
Other liabilities	<u>9,819,863</u>	<u>9,983,527</u>	<u>3,775,844</u>	<u>3,825,721</u>	<u>13,595,707</u>	<u>13,809,248</u>
Total liabilities	<u>26,432,334</u>	<u>27,328,554</u>	<u>43,862,483</u>	<u>45,680,691</u>	<u>70,294,817</u>	<u>73,009,245</u>
Net Assets						
Invested in capital assets - Net of related debt	97,185,029	97,817,670	25,470,151	22,084,903	122,655,180	119,902,573
Restricted	18,651,499	16,223,006	1,358,426	1,314,898	20,009,925	17,537,904
Unrestricted	<u>12,157,758</u>	<u>9,949,574</u>	<u>20,158,742</u>	<u>19,622,040</u>	<u>32,316,500</u>	<u>29,571,614</u>
Total net assets	<u>\$ 127,994,286</u>	<u>\$ 123,990,250</u>	<u>\$ 46,987,319</u>	<u>\$ 43,021,841</u>	<u>\$ 174,981,605</u>	<u>\$ 167,012,091</u>

Net assets of the City's governmental activities increased by 3.2 percent to \$128 million at June 30, 2008 compared to \$124 million at June 30, 2007. This increase was invested in capital assets net of related debt and restricted assets. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by approximately \$2.3 million to \$12.2 million at June 30, 2008.

Restricted net assets increased by approximately \$2.5 million. The largest increases are in the following areas: Debt service reserves increased \$0.8 million; funds collected and not yet spent on sanitation services increased by \$1.0 million.

Net assets of the City's business-type activity increased \$4 million. This increase was primarily invested in capital assets net of related debt.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

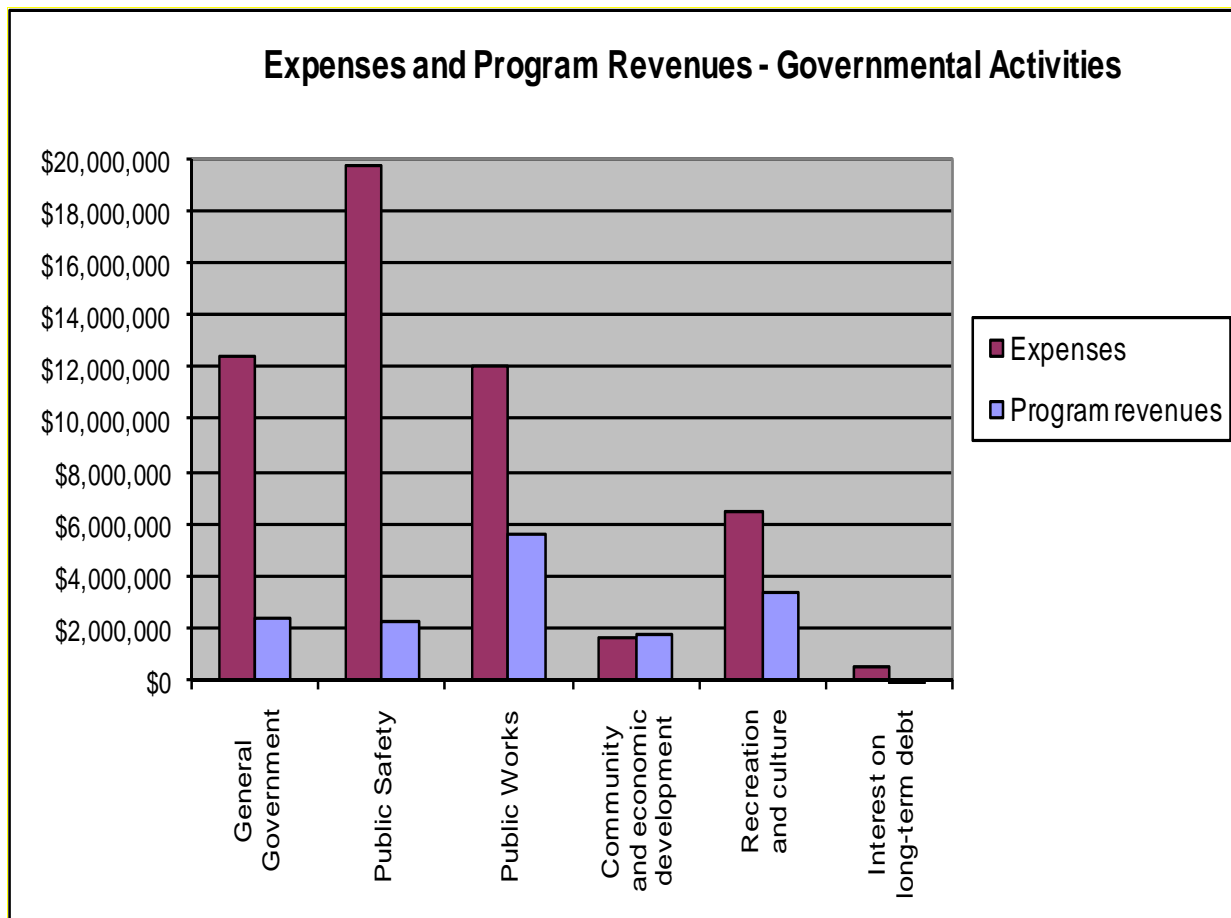
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 8,032,410	\$ 8,476,841	\$ 14,012,005	\$ 13,252,613	\$ 22,044,415	\$ 21,729,454
Operating grants and contributions	5,433,694	5,706,069	-	-	5,433,694	5,706,069
Capital grants and contributions	1,916,964	1,854,423	51,088	17,825	1,968,052	1,872,248
General revenues:						
Property taxes	35,128,250	33,662,454	1,903,085	1,833,076	37,031,335	35,495,530
Unrestricted state-shared revenues	5,789,951	6,382,952	-	-	5,789,951	6,382,952
Unrestricted investment earnings	2,478,795	2,725,257	449,731	515,235	2,928,526	3,240,492
Cable revenues	840,918	788,875	-	-	840,918	788,875
Other	642,205	856,544	-	-	642,205	856,544
Total revenue	60,263,187	60,453,415	16,415,909	15,618,749	76,679,096	76,072,164
Program Expenses						
General government	12,453,086	11,507,165	-	-	12,453,086	11,507,165
Public safety	19,733,839	18,541,990	-	-	19,733,839	18,541,990
Public works	12,006,787	11,125,235	-	-	12,006,787	11,125,235
Community and economic development	1,666,117	1,911,690	-	-	1,666,117	1,911,690
Recreation and culture	6,456,535	6,615,490	-	-	6,456,535	6,615,490
Interest on long-term debt	532,035	217,605	-	-	532,035	217,605
Water and sewer	-	-	15,861,183	15,505,955	15,861,183	15,505,955
Total expenses	52,848,399	49,919,175	15,861,183	15,505,955	68,709,582	65,425,130
Income - Before transfers	7,414,788	10,534,240	554,726	112,794	7,969,514	10,647,034
Transfers	(3,410,752)	(4,047,292)	3,410,752	4,047,292	-	-
Increase in Net Assets	4,004,036	6,486,948	3,965,478	4,160,086	7,969,514	10,647,034
Net Assets - July 1, 2007	123,990,250	117,503,302	43,021,841	38,861,755	167,012,091	156,365,057
Net Assets - June 30, 2008	\$ 127,994,286	\$ 123,990,250	\$ 46,987,319	\$ 43,021,841	\$ 174,981,605	\$ 167,012,091

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

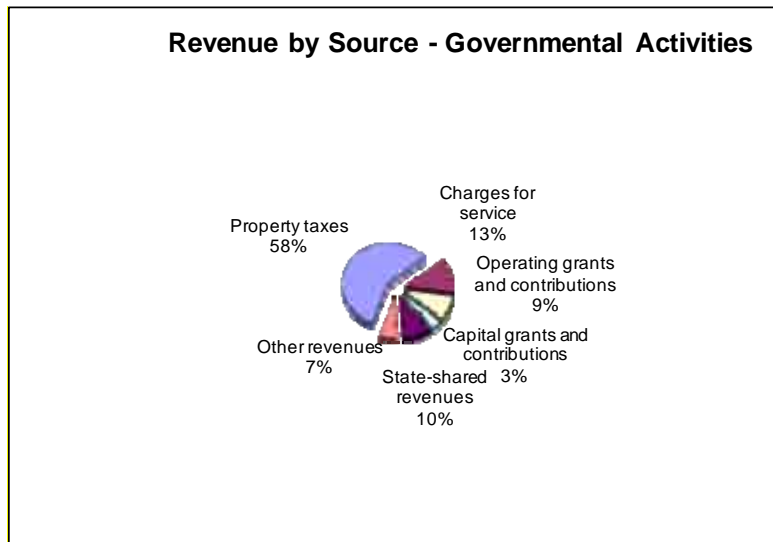
Revenues for the City's governmental activities totaled \$60.3 million in 2008. Property taxes represent 58 percent of total revenue or \$35.1 million. Property taxes are up 4.4 percent from last year, reflecting a slight increase in property tax rates and an increase in taxable value of approximately 3.7 percent. Taxable value changes are nearly 0 percent for fiscal year 2009 and are expected to be negative for the next fiscal year 2010. Charges for service totaled \$8.0 million or 13.3 percent of total revenue, support programs such as building inspections, recreation programs, etc. These charges were slightly less than the prior year. The decrease in unrestricted state-shared revenues represents a grant received for construction in the prior year. The balance of state-shared revenues, totaling \$5.8 million or 9.6 percent of total revenue, remained stagnant compared to the prior year and continues to be of concern. We are uncertain as to funding levels for the future. We anticipate that the State will continue to reduce the discretionary component of state-shared revenues (currently approximately \$1.3 million) in order to balance its own budget. Expenses in total increased \$2.9 million or 5.9 percent from the prior year. The increase is due to higher retiree healthcare costs and other employment-related costs.



City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

All governmental programs rely on property taxes and state-shared revenues except for community and economic development, which relies on Community Development Block Grant funding to cover expense.

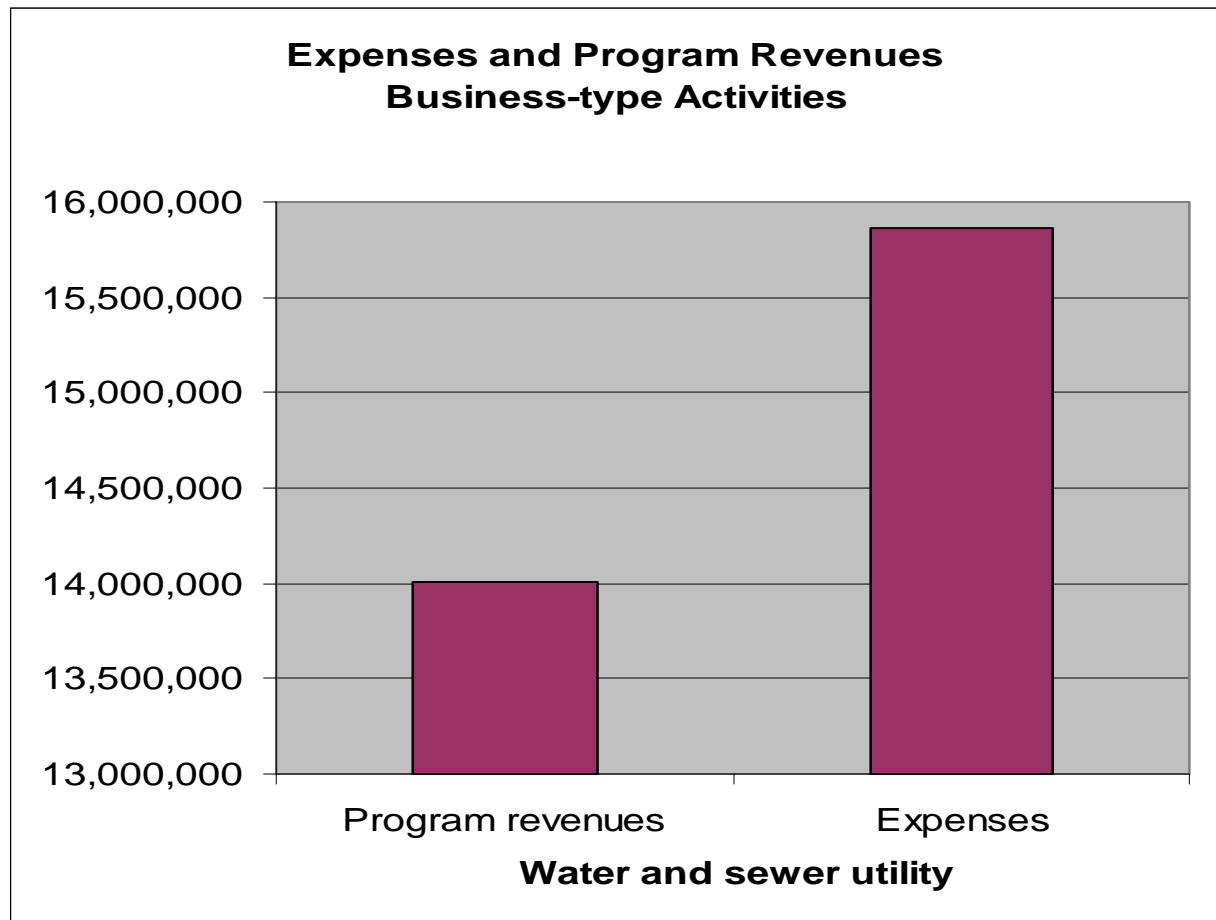


Business-type Activities

The water and sewer operations are funded primarily by user fees or charges for service which make up 85.4 percent of revenues. Property taxes make up substantially all of the remaining revenues. The property tax supplement (1 mill) to user fees was renewed for five years starting July 1, 2004 in the primary election held September 9, 2003. The last levy was July 1, 2008. Currently, there is no proposal to renew this millage.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)



The City has one business-type activity: the water and sewer system. Revenues of the City's Utility Fund totaled \$16.4 million in 2008 and expenses were \$15.9 million. The Utility Fund experienced an increase in net assets before transfers of approximately \$0.6 million.

Charges for service reflect a 5.3 percent increase in water units sold. The cost of water and sewer service went up due to the higher water volume and an increase in the cost.

- Water rates were increased from \$18.93 per 1,000 cubic feet to \$19.60 per 1,000 cubic feet. This increase reflected the increase in the price to purchase water from the City of Detroit. Sewer rates remained the same at \$27.06 as did the cost of sewer services from the Southeast Macomb Sanitary District. The volume of water purchased was below budget while water sold was only slightly lower than budget, reflecting a favorable water loss percentage.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

City of St. Clair Shores - Capital Assets (in millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 10.1	\$ 10.1	\$ -	\$ -	\$ 10.1	\$ 10.1
Building and improvements	20.8	20.7	5.1	5.1	25.9	25.8
County drains	2.9	2.9	-	-	2.9	2.9
Improvements other than buildings	17.0	16.9	1.0	1.0	18.0	17.9
Furniture, fixtures, and equipment	13.7	13.5	1.0	0.7	14.7	14.2
Water and sewer distribution systems	-	-	85.0	82.6	85.0	82.6
Vehicles	8.7	8.6	-	-	8.7	8.6
Infrastructure	92.0	87.4	-	-	92.0	87.4
Construction in progress	4.0	3.4	2.5	2.0	6.5	5.4
Total	<u>\$ 169.2</u>	<u>\$ 163.5</u>	<u>\$ 94.6</u>	<u>\$ 91.4</u>	<u>\$ 263.8</u>	<u>\$ 254.9</u>

Capital assets related to governmental activities increased by \$5.7 million, reflecting continuing investment in streets and right-of-ways (infrastructure).

See Note 5 of the financial statements for additional information.

Long-term Debt

During the fiscal year no debt was issued. See Note 11 of the financial statements for more information.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law or bond covenants. The City Council also establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- **Proprietary Funds** - Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund reporting, like government-wide statements, provide both short- and long-term financial information.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

- **Fiduciary Funds** - The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

The fund financial statements begin on pages 15 and 16 and provide detailed information on the most significant funds - not the City as a whole. The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2008 include the General Fund, the Major and Local Streets Funds, and the SEMSD Clean Water Initiative Debt Service and Capital Projects Funds.

The major components of revenues in these funds are property taxes and state sources. The major components of expenditures in these funds are public safety (police and fire) and public works. There was an excess of revenues and other financing sources over expenditures in these funds of \$4 million. In the General Fund, approximately \$0.9 million is designated toward specific projects that were not completed prior to year end. The remainder of the balance has been designated to help balance future budgets as explained below. The Major Street Fund decreased \$0.2 million, reflecting investment in infrastructure. The Local Street Fund increased approximately \$0.7 million due to projects that were not complete at year end. The SEMSD Clean Water Initiative Debt Service Fund increased because some property taxes received were not needed to pay debt service and capital requirements in this fiscal year. The SEMSD Capital Projects Fund almost broke even.

General Fund Budgetary Highlights

Actual revenues were within 0.3 percent of the final budget. Minor changes were made during the year to the revenue budget. Expenditures had some changes reflecting amendment of certain budgets to pick up carryover projects from the previous year. Actual expenditures were 10.0 percent below budget, representing a carryover of funds for specific projects and subsequent year expenditures. All departments were under the final budget, allowing us to again build up carryover fund balance to help with anticipated shortfalls in future years. The City is intentionally building fund balance when it can, because structurally its budget is in a deficit. Department heads are requested to spend only the amount needed to operate. All departments have responded favorably.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

Current Economic Conditions

The City continues to balance its budget; however, structurally there is a funding problem for established communities in Michigan. The three major funding sources for cities are property taxes, state-shared revenues, and fees and charges. All three revenue sources are subject to limitations that over the last few years and for the foreseeable future will prevent them from increasing at the rate of inflation. Expenses on the other hand are rising faster than inflation in many areas such as health care, energy costs, etc. This has resulted in a reduction in personnel (49 in the last six years) in order to balance the budget. The City government is a service to the City residents and therefore its primary costs are personnel related. Through the use of long-term planning, the City will continue to balance its budget. On November 6, 2007, the voters of the City approved a millage increase of 1.5656 mills for three years commencing on July 1, 2008 for police and fire operations. The millage guarantees staffing at 101 personnel for the police department and 50 personnel for the fire department. The City relies on this additional millage to balance its budget.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tim Haney, the Director of Finance/Treasurer, at the City of St. Clair Shores, 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

City of St. Clair Shores, Michigan

Statement of Net Assets (Deficit) June 30, 2008

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
Assets				
Cash and cash equivalents (Note 3)	\$ 36,663,033	\$ 8,670,894	\$ 45,333,927	\$ 1,474,668
Receivables - Net:				
Property taxes	174,180	-	174,180	-
Customers	592	4,351,630	4,352,222	-
Special assessments	168,486	259,821	428,307	-
Other	1,177,002	-	1,177,002	-
Due from other governmental units	2,466,720	30,480	2,497,200	3,347
Internal balances	97,942	(97,942)	-	-
Other assets	488,786	-	488,786	-
Inventories	-	194,257	194,257	-
Restricted assets (Note 7)	12,941,276	1,358,426	14,299,702	-
Investments in joint ventures (Note 14):				
Southeast Macomb Sanitary District	-	8,869,499	8,869,499	-
South Macomb Disposal Authority	376,072	-	376,072	-
Capital assets (Note 5):				
Nondepreciable capital assets	14,146,082	2,518,100	16,664,182	-
Depreciable capital assets - Net	85,726,449	64,694,637	150,421,086	-
Total assets	154,426,620	90,849,802	245,276,422	1,478,015
Liabilities				
Accounts payable	3,455,281	1,363,733	4,819,014	14,967
Accrued and other liabilities	2,558,507	492,916	3,051,423	11,401
Due to other governmental units	1,138,794	103,404	1,242,198	18,183
Unearned revenue (Note 9)	90,063	-	90,063	130,937
Noncurrent liabilities (Note 11):				
Due within one year	2,577,218	1,815,791	4,393,009	335,000
Due in more than one year	16,612,471	40,086,639	56,699,110	1,185,000
Total liabilities	26,432,334	43,862,483	70,294,817	1,695,488
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	97,185,029	25,470,151	122,655,180	-
Restricted:				
Streets	3,088,982	-	3,088,982	-
Debt service	4,893,921	-	4,893,921	-
Sanitation (Note 6)	7,212,170	-	7,212,170	-
County drains (Note 7)	417,554	-	417,554	-
Bond ordinance requirements (Note 7)	459,695	1,358,426	1,818,121	-
Postemployment benefits (Note 6)	617,340	-	617,340	-
Court building	1,313,455	-	1,313,455	-
Drug law enforcement	648,382	-	648,382	-
Unrestricted	12,157,758	20,158,742	32,316,500	(217,473)
Total net assets (deficit)	\$ 127,994,286	\$ 46,987,319	\$ 174,981,605	\$ (217,473)

City of St. Clair Shores, Michigan

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Expenses				
Functions/Programs				
Primary government :				
Governmental activities:				
General government	\$ 12,453,086	\$ 2,234,427	\$ 97,105	\$ -
Public safety	19,733,839	2,027,871	224,217	22,934
Public works	12,006,787	328,587	3,419,894	1,894,030
Community and economic development	1,666,117	326,564	1,428,809	-
Recreation and culture	6,456,535	3,111,409	263,669	-
Interest on long-term debt	532,035	3,552	-	-
Total governmental activities	52,848,399	8,032,410	5,433,694	1,916,964
Business-type activities - Water and sewer	15,861,183	14,012,005	-	51,088
Total primary government	<u>\$ 68,709,582</u>	<u>\$ 22,044,415</u>	<u>\$ 5,433,694</u>	<u>\$ 1,968,052</u>
Component units:				
Economic Development Corporation	\$ -	\$ -	\$ -	\$ -
Tax Increment Finance Authority	429,978	-	-	-
Brownfield Redevelopment Authority	-	-	-	-
Total component units	<u>\$ 429,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Unrestricted state-shared revenues				
Unrestricted investment earnings				
Cable franchise fees				
Donations and other				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets (Deficit) - Beginning of year				
Net Assets (Deficit) - End of year				

Statement of Activities Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (10,121,554)	\$ -	\$ (10,121,554)	\$ -
(17,458,817)	-	(17,458,817)	-
(6,364,276)	-	(6,364,276)	-
89,256	-	89,256	-
(3,081,457)	-	(3,081,457)	-
(528,483)	-	(528,483)	-
(37,465,331)	-	(37,465,331)	-
-	(1,798,090)	(1,798,090)	-
(37,465,331)	(1,798,090)	(39,263,421)	-
-	-	-	-
-	-	-	(429,978)
-	-	-	-
-	-	-	(429,978)
35,128,250	1,903,085	37,031,335	893,827
5,789,951	-	5,789,951	-
2,478,795	449,731	2,928,526	55,912
840,918	-	840,918	-
642,205	-	642,205	-
(3,410,752)	3,410,752	-	-
41,469,367	5,763,568	47,232,935	949,739
4,004,036	3,965,478	7,969,514	519,761
123,990,250	43,021,841	167,012,091	(737,234)
\$ 127,994,286	\$ 46,987,319	\$ 174,981,605	\$ (217,473)

City of St. Clair Shores, Michigan

	Major Special Revenue Funds			Major Debt Service Fund
	General Fund	Major Streets Fund	Local Streets Fund	SEMSD Clean Water Initiative
Assets				
Cash and investments (Note 3)	\$ 25,015,318	\$ 1,801,358	\$ 985,828	\$ 4,631,030
Receivables:				
Taxes	174,180	-	-	-
Special assessments	129,425	-	39,061	-
Other	866,893	-	269,729	40,380
Due from other governmental units	1,447,808	402,818	157,437	-
Restricted assets	-	-	-	-
Due from other funds (Note 4)	376,319	1,694	215,235	-
Other assets	488,786	-	-	-
Total assets	<u>\$ 28,498,729</u>	<u>\$ 2,205,870</u>	<u>\$ 1,667,290</u>	<u>\$ 4,671,410</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,027,945	\$ 196,250	\$ 300,131	\$ -
Accrued and other liabilities	1,809,343	-	23,097	-
Due to other funds (Note 4)	151,239	109,828	44,314	78,707
Due to other governmental units	1,097,672	-	20,944	-
Deferred revenue (Note 9)	318,846	-	90,493	-
Total liabilities	4,405,045	306,078	478,979	78,707
Fund Balances				
Reserved for:				
Postemployment benefits (Note 6)	617,340	-	-	-
Sanitation Trust (Note 6)	7,212,170	-	-	-
Street Improvement Trust (Note 6)	879	-	-	-
Streets repair and construction	-	-	417,000	-
Lake St. Clair Clean Water Initiative	-	-	-	-
Unreserved:				
Designated for subsequent years' expenditures	10,623,381	-	-	-
Designated for committees	92,810	-	-	-
Undesignated	5,547,104	1,899,792	771,311	4,592,703
Unreserved, reported in:				
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Total fund balances	<u>24,093,684</u>	<u>1,899,792</u>	<u>1,188,311</u>	<u>4,592,703</u>
Total liabilities and fund balances	<u>\$ 28,498,729</u>	<u>\$ 2,205,870</u>	<u>\$ 1,667,290</u>	<u>\$ 4,671,410</u>

**Governmental Funds
Balance Sheet
June 30, 2008**

Major Capital Projects Fund		
SEMSD Clean Water Initiative Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,523,606	\$ 34,957,140
-	-	174,180
-	-	168,486
-	-	1,177,002
-	458,657	2,466,720
12,064,027	-	12,064,027
78,707	-	671,955
-	-	488,786
\$ 12,142,734	\$ 2,982,263	\$ 52,168,296

\$ 1,760,388	\$ 78,631	\$ 3,363,345
-	12,872	1,845,312
-	359,279	743,367
-	-	1,118,616
-	-	409,339
1,760,388	450,782	7,479,979
-	-	1,129,358
-	-	7,212,170
-	-	879
-	-	417,000
10,382,346	-	10,382,346
-	-	10,623,381
-	-	92,810
-	-	12,298,892
-	2,134,298	2,134,298
-	301,218	301,218
-	95,965	95,965
10,382,346	2,531,481	44,688,317
\$ 12,142,734	\$ 2,982,263	\$ 52,168,296

City of St. Clair Shores, Michigan

Governmental Funds Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities June 30, 2008

Total Fund Balances of Governmental Funds	\$ 44,688,317
Amounts reported for governmental activities in the statement of net assets (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	92,194,043
Certain receivables are expected to be collected over several years in the governmental funds and are not available to pay for current year expenditures	392,988
Certain rental payments received in advance are available to pay for current year expenditures; however, these advances do not meet the revenue recognition criteria for full accrual basis accounting	(73,712)
Other payroll liabilities are not due and payable in the current period and are not reported in the funds	(329,373)
Accrued interest payable on long-term debt is not recorded in the funds	(95,857)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(16,624,698)
Investment in joint venture is not included as an asset in the governmental funds	376,072
Cash held by Macomb County for drain projects is not included as an asset in the governmental funds	417,554
The Recreational Revenue Enterprise Fund is included as part of governmental activities	2,192,133
The Internal Service Funds (Motorpool and Computer Replacement) are included as part of governmental activities	<u>4,856,819</u>
Net Assets of Governmental Activities	<u>\$ 127,994,286</u>

City of St. Clair Shores, Michigan

	Major Special Revenue Funds			Major Debt Service Fund
	General Fund	Major Streets Fund	Local Streets Fund	SEMSD Clean Water Initiative
Revenue				
Property taxes	\$ 28,651,690	\$ -	\$ 1,923,630	\$ 3,999,455
Intergovernmental:				
Federal sources	35,454	-	-	-
State sources	6,164,917	2,459,106	960,788	127,833
Licenses and permits	1,307,273	-	-	-
Charges for services	3,637,103	-	276,182	-
Investment income	1,583,299	64,492	48,542	204,907
Court fines and forfeitures	1,788,361	-	-	-
Other income	662,531	-	21,980	7,961
Total revenue	43,830,628	2,523,598	3,231,122	4,340,156
Expenditures				
Current:				
General government	10,593,703	256,278	597,996	-
Public safety	19,374,286	-	-	-
Public works	3,510,328	2,317,108	3,924,626	-
Community and economic development	821,007	-	-	-
Recreation and culture	4,769,805	-	-	-
Debt service:				
Principal	-	-	-	284,384
Interest and other charges	-	-	-	275,165
Total expenditures	39,069,129	2,573,386	4,522,622	559,549
Excess of Revenue Over (Under) Expenditures	4,761,499	(49,788)	(1,291,500)	3,780,607
Other Financing Sources (Uses)				
Transfers in (Note 4)	124,000	743,071	1,945,098	-
Transfers out (Note 4)	(1,995,292)	(906,788)	-	(3,144,817)
Total other financing sources (uses)	(1,871,292)	(163,717)	1,945,098	(3,144,817)
Net Change in Fund Balances	2,890,207	(213,505)	653,598	635,790
Fund Balances - Beginning of year	21,203,477	2,113,297	534,713	3,956,913
Fund Balances - End of year	<u>\$ 24,093,684</u>	<u>\$ 1,899,792</u>	<u>\$ 1,188,311</u>	<u>\$ 4,592,703</u>

Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2008

Major Capital Projects Fund		
SEMSD Clean Water Initiative Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 527,384	\$ 35,102,159
-	1,428,809	1,464,263
-	106,153	9,818,797
-	-	1,307,273
-	-	3,913,285
488,500	104,922	2,494,662
-	-	1,788,361
-	450,531	1,143,003
488,500	2,617,799	57,031,803
-	57,672	11,505,649
-	194,938	19,569,224
753,158	356,195	10,861,415
-	821,150	1,642,157
-	33,017	4,802,822
-	502,331	786,715
-	147,610	422,775
753,158	2,112,913	49,590,757
(264,658)	504,886	7,441,046
300,173	641,486	3,753,828
-	(765,575)	(6,812,472)
300,173	(124,089)	(3,058,644)
35,515	380,797	4,382,402
10,346,831	2,150,684	40,305,915
\$ 10,382,346	\$ 2,531,481	\$ 44,688,317

City of St. Clair Shores, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 4,382,402
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	7,200,846
Depreciation is recorded as an expense in the statement of activities but not in the governmental funds	(6,772,916)
Drain activities performed by the County on behalf of the City are recorded in the statement of activities but not in the governmental funds	(74,363)
Certain revenue reported in the statement of activities will not provide current financial resources in the governmental funds until future years	26,750
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	919,286
Interest expense is recorded when incurred in the statement of activities	8,233
Decrease in investment in joint venture is not included in the governmental funds	(177,770)
Changes in accumulated employee sick and vacation pay, and other payroll liabilities as well as estimated general liability claims, are recorded when incurred in the statement of activities	(477,865)
The Recreational Revenue Fund is included as governmental activities in the statement of activities	(78,577)
The Internal Service Funds (Motorpool and Computer Replacement) are also included as governmental activities in the statement of activities	(217,217)
Capital outlays recorded in a Capital Projects Fund have been contributed to an Enterprise Fund, where these costs are allocated over their estimated useful lives	(624,108)
In the statement of activities, only the gain (loss) on the sale of an asset is reported, whereas in the governmental funds, the proceeds from the sale are reported. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold	(110,665)
Change in Net Assets of Governmental Activities	<u>\$ 4,004,036</u>

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Net Assets June 30, 2008

	Enterprise Funds		Governmental Activities	
	Utility Fund	Recreational Revenue Fund	Total Enterprise Funds	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 8,670,894	\$ 257,074	\$ 8,927,968	\$ 1,448,818
Receivables:				
Customers	4,351,630	592	4,352,222	-
Interest and other	259,821	-	259,821	-
Due from other governmental units	30,480	-	30,480	-
Due from other funds (Note 4)	8,183	46,476	54,659	165,499
Inventories	194,257	-	194,257	-
Restricted assets (Note 7)	1,358,426	459,695	1,818,121	-
Total current assets	14,873,691	763,837	15,637,528	1,614,317
Noncurrent assets:				
Investment in Southeast Macomb Sanitary District (Note 14)	8,869,499	-	8,869,499	-
Capital assets - Net (Note 5):				
Nondepreciable assets	2,518,100	-	2,518,100	200,457
Depreciable capital assets - Net	64,694,637	4,187,006	68,881,643	3,291,025
Total noncurrent assets	76,082,236	4,187,006	80,269,242	3,491,482
Total assets	90,955,927	4,950,843	95,906,770	5,105,799
Liabilities				
Current liabilities:				
Accounts payable	1,363,733	45,461	1,409,194	46,475
Accrued and other liabilities	492,916	115,680	608,596	172,284
Due to other funds (Note 4)	106,125	42,621	148,746	-
Due to other governmental units	103,404	11,513	114,917	8,665
Current portion of long-term debt (Note 11)	1,815,791	222,283	2,038,074	6,490
Total current liabilities	3,881,969	437,558	4,319,527	233,914
Noncurrent liabilities - Long-term debt - Net of current portion (Note 11)	40,086,639	2,321,152	42,407,791	15,066
Total liabilities	43,968,608	2,758,710	46,727,318	248,980
Net Assets				
Invested in capital assets - Net of related debt	25,470,151	1,707,923	27,178,074	3,491,482
Restricted for bond ordinance requirements (Note 7)	1,358,426	459,695	1,818,121	-
Unrestricted	20,158,742	24,515	20,183,257	1,365,337
Total net assets	<u>\$ 46,987,319</u>	<u>\$ 2,192,133</u>	49,179,452	<u>\$ 4,856,819</u>

Amounts reported for business-type activities in the statement of net assets (deficit) are different because the Recreational Revenue Fund is included as part of governmental activities

(2,192,133)

Net Assets of Business-type Activities

\$ 46,987,319

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Enterprise Funds			Governmental Activities
	Utility Fund	Recreational Revenue Fund	Total Enterprise Funds	Internal Service Funds
Operating Revenue				
Customer fees	\$ 13,757,878	\$ 1,626,777	\$ 15,384,655	\$ -
Charges for services	-	-	-	1,539,192
Tap fees	22,955	-	22,955	-
Other	89,169	24,422	113,591	241,169
Total operating revenue	13,870,002	1,651,199	15,521,201	1,780,361
Operating Expenses				
Water purchases	2,274,257	-	2,274,257	-
Sewage disposal charges	5,552,171	-	5,552,171	-
Salaries and fringe benefits	1,882,559	926,986	2,809,545	234,958
Administrative charge	775,048	-	775,048	487,742
Repairs and maintenance	1,569,000	148,842	1,717,842	-
Depreciation and amortization	1,546,055	418,518	1,964,573	741,265
Supplies	60,606	159,029	219,635	475,526
Other	604,270	297,644	901,914	81,762
Total operating expenses	14,263,966	1,951,019	16,214,985	2,021,253
Operating Loss	(393,964)	(299,820)	(693,784)	(240,892)
Nonoperating Revenue (Expenses)				
Property taxes	2,048,368	-	2,048,368	-
Interest income	449,731	28,256	477,987	58,548
Interest expense	(1,597,217)	(108,184)	(1,705,401)	-
Gain (loss) on disposal of capital assets	(3,280)	29,171	25,891	(34,873)
Total nonoperating revenue (expenses)	897,602	(50,757)	846,845	23,675
Income (Loss) - Before contributions and transfers	503,638	(350,577)	153,061	(217,217)
Capital Contributed				
Grants	51,088	-	51,088	-
Other funds	624,108	-	624,108	-
Total capital contributed	675,196	-	675,196	-
Transfers In (Note 4)	2,844,644	272,000	3,116,644	-
Transfers Out (Note 4)	(58,000)	-	(58,000)	-
Net Change in Net Assets	3,965,478	(78,577)	3,886,901	(217,217)
Net Assets - Beginning of year	43,021,841	2,270,710	45,292,551	5,074,036
Net Assets - End of year	<u>\$ 46,987,319</u>	<u>\$ 2,192,133</u>	<u>\$ 49,179,452</u>	<u>\$ 4,856,819</u>
Net Change in Net Assets - Total Enterprise Funds			\$ 3,886,901	
Amounts reported for business-type activities in the statement of activities are different because the Recreational Revenue Fund is included as governmental activities in the statement of activities				78,577
Change in Net Assets of Business-type Activities			<u>\$ 3,965,478</u>	

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Enterprise Funds		Total	Governmental
	Utility	Recreational	Enterprise	Internal
	Fund	Fund	Funds	Service
				Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 13,771,544	\$ 1,651,199	\$ 15,422,743	\$ 1,780,361
Payments to suppliers	(11,460,589)	(595,897)	(12,056,486)	(1,096,064)
Payments to employees	(1,950,256)	(950,814)	(2,901,070)	(221,892)
Internal activity - Receipts from (payments to) other funds	(12,387)	110,480	98,093	(76,348)
Other payments	4,967	433	5,400	(14,175)
Net cash provided by operating activities	353,279	215,401	568,680	371,882
Cash Flows from Noncapital Financing Activities				
Collection of property taxes	2,048,368	-	2,048,368	-
Transfer from other funds	2,786,644	272,000	3,058,644	-
Net cash provided by noncapital financing activities	4,835,012	272,000	5,107,012	-
Cash Flows from Capital and Related Financing Activities				
Principal and interest paid on long-term debt	(3,324,769)	(393,184)	(3,717,953)	-
State grant	51,088	-	51,088	-
Purchase of capital assets	(2,583,424)	(125,604)	(2,709,028)	(1,224,152)
Proceeds from sale of capital assets	500	29,524	30,024	111,172
Net cash used in capital and related financing activities	(5,856,605)	(489,264)	(6,345,869)	(1,112,980)
Cash Flows from Investing Activities - Interest received on investments	449,731	28,256	477,987	58,548
Net Increase (Decrease) in Cash and Cash Equivalents	(218,583)	26,393	(192,190)	(682,550)
Cash and Cash Equivalents - Beginning of year	10,247,903	690,376	10,938,279	2,131,368
Cash and Cash Equivalents - End of year	<u>\$ 10,029,320</u>	<u>\$ 716,769</u>	<u>\$ 10,746,089</u>	<u>\$ 1,448,818</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 8,670,894	\$ 257,074	\$ 8,927,968	\$ 1,448,818
Restricted assets (Notes 3 and 7)	1,358,426	459,695	1,818,121	-
Total cash and cash equivalents	<u>\$ 10,029,320</u>	<u>\$ 716,769</u>	<u>\$ 10,746,089</u>	<u>\$ 1,448,818</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (393,964)	\$ (299,820)	\$ (693,784)	(240,892)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	1,546,055	418,518	1,964,573	741,265
Change in investment in Southeast Macomb Sanitary District	(480,459)	-	(480,459)	-
Changes in assets and liabilities:				
Receivables	(98,458)	-	(98,458)	1,844
Inventories	(72,676)	-	(72,676)	-
Due from other funds	56,056	129,622	185,678	(15,953)
Due from other governmental funds	(30,480)	-	(30,480)	-
Accounts payable	(72,101)	9,618	(62,483)	(51,035)
Accrued and other liabilities	(61,730)	(14,590)	(76,320)	17,745
Due to other funds	(68,443)	(36,194)	(104,637)	(76,348)
Due to other governmental funds	35,447	433	35,880	(65)
Compensated absences	(12,074)	4,690	(7,384)	(4,835)
Workers' compensation	6,106	3,124	9,230	156
Net cash provided by operating activities	<u>\$ 353,279</u>	<u>\$ 215,401</u>	<u>\$ 568,680</u>	<u>\$ 371,882</u>
Significant Noncash Investing and Financing Transactions -				
Contribution of capital assets from other governmental funds	<u>\$ 624,108</u>	<u>\$ -</u>	<u>\$ 624,108</u>	<u>\$ -</u>

City of St. Clair Shores, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2008

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 2,144,932	\$ 211,626
Investments:		
Corporate bonds and notes	35,978,386	-
U.S. government securities	18,638,628	-
Common and preferred stock	61,324,254	-
Mutual funds	26,020,312	-
Repurchase agreements	596,907	-
Investments held by broker-dealer and banks under securities loans:		
Corporate bonds and notes	343,867	-
U.S. government securities	3,616,806	-
Common and preferred stock	12,592,408	-
Due from other governmental units	1,205,038	-
Accrued interest receivable	505,453	-
Total assets	162,966,991	\$ 211,626
Liabilities		
Accrued and other liabilities	904,734	\$ 76,196
Due to other governmental units	-	135,430
Amounts due to broker under securities lending agreement	17,133,110	-
Total liabilities	18,037,844	\$ 211,626
Net Assets - Held in trust for pension and other employee benefits	\$ 144,929,147	

City of St. Clair Shores, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2008

Additions

Investment income:

Interest and dividends	\$ 4,840,226
Net decrease in fair value of investments	(11,558,704)
Less investment expenses	<u>(885,175)</u>

Net investment income (7,603,653)

Securities lending income:

Interest	928,983
Less borrower rebates and bank fees	<u>(803,708)</u>

Net securities lending income 125,275

Contributions:

Employer	5,952,036
Employee	<u>556,401</u>

Total contributions 6,508,437

Total additions - Net of investment returns (969,941)

Deductions

Benefit payments	11,004,171
Refunds of contributions	25,087
Administrative expenses	<u>66,062</u>

Total deductions 11,095,320

Net Decrease (12,065,261)

Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year	<u>156,994,408</u>
End of year	<u><u>\$ 144,929,147</u></u>

City of St. Clair Shores, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2008

	Economic Development Corporation	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and cash equivalents	\$ -	\$ 1,466,426	\$ 8,242	\$ 1,474,668
Receivables - Due from other governmental units	1,546	1,801	-	3,347
Total assets	1,546	1,468,227	8,242	1,478,015
Liabilities				
Accounts payable	-	14,967	-	14,967
Accrued and other liabilities	-	11,401	-	11,401
Due to other governmental units	-	16,382	1,801	18,183
Deferred revenue	-	130,937	-	130,937
Noncurrent liabilities:				
Due within one year	-	335,000	-	335,000
Due in more than one year	-	1,185,000	-	1,185,000
Total liabilities	-	1,693,687	1,801	1,695,488
Net Assets (Deficit) - Unrestricted	\$ 1,546	\$ (225,460)	\$ 6,441	\$ (217,473)

City of St. Clair Shores, Michigan

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants/ Contributions
Economic Development Corporation - Public works	\$ -	\$ -	\$ -
Tax Increment Finance Authority - Public works and interest on long-term debt	429,978	-	-
Brownfield Redevelopment Authority - Public works	-	-	-
Total governmental activities	<u>\$ 429,978</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:			
Property taxes			
Interest and other investment earnings			
Total general revenues			
Change in Net Assets			
Net Assets (Deficit) - Beginning of year			
Net Assets (Deficit) - End of year			

Component Units
Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Economic Development Corporation	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Total
\$ -	\$ -	\$ -	\$ -
-	(429,978)	-	(429,978)
-	-	-	-
-	(429,978)	-	(429,978)
-	893,415	412	893,827
-	55,892	20	55,912
-	949,307	432	949,739
-	519,329	432	519,761
1,546	(744,789)	6,009	(737,234)
<u>\$ 1,546</u>	<u>\$ (225,460)</u>	<u>\$ 6,441</u>	<u>\$ (217,473)</u>

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of St. Clair Shores, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of St. Clair Shores, Michigan:

Reporting Entity

The City of St. Clair Shores, Michigan is governed by an elected mayor and six-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Component unit financial statements have also been presented to display the financial position and results of operations for each of the discretely presented component units.

Blended Component Units - The St. Clair Shores Building Authority (the "Authority") is governed by a board that is appointed by the City Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The operations of the Authority are reported as a nonmajor Debt Service Fund.

Discretely Presented Component Units

The Economic Development Corporation (the "EDC") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The EDC's governing body, consisting of nine individuals, is appointed by the City Council and, accordingly, the City has the ability to impose its will. Complete financial statements for the EDC can be obtained from the administrative office at 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

The Tax Increment Finance Authority (the "TIFA") was created to encourage economic activity within the TIFA district boundaries. The TIFA collects captured property taxes in accordance with state law and budgets expenditures for improvements within the TIFA district boundaries. The TIFA's governing body, consisting of 12 individuals, is appointed by the City Council and, accordingly, the City has the ability to impose its will. Complete financial statements for the TIFA can be obtained from the administrative office at 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

The Brownfield Redevelopment Authority (the "BRA") was created to facilitate the implementation of plans for the identification, treatment, and revitalization of environmentally distressed areas within the City designated as Brownfield Redevelopment Zones. The BRA's board, consisting of 12 members, is appointed by the City Council and, accordingly, the City has the ability to impose its will. Complete financial statements for the BRA can be obtained from the administrative office at 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

The City has excluded the St. Clair Shores Housing Commission from this report. Even though the City appoints the Housing Commission's directors, it does not have the ability to impose its will.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component units. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component units for which the City is financially accountable.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through state-shared gas and weight taxes.

Local Streets Fund - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is provided primarily through state-shared gas and weight taxes and a local property tax levy.

The SEMSD Clean Water Initiative Debt Service Fund - The SEMSD Clean Water Initiative Debt Service Fund accounts for the City's share of debt service expenditures for bonds issued in connection with the Lake St. Clair Clean Water Initiative. Funding is provided primarily by a local property tax levy.

The SEMSD Clean Water Initiative Capital Projects Fund - The SEMSD Clean Water Initiative Capital Projects Fund accounts for the City's share of the Lake St. Clair Clean Water Initiative construction activities administered by the Macomb County Public Works Commissioner. Funding is provided primarily through bond issuances.

Note I - Summary of Significant Accounting Policies (Continued)

The City reports the following major Enterprise Funds:

The Utility Fund - The Utility Fund accounts for the activities of the water distribution system and the sewage and storm water collection systems. Funding is provided primarily through user charges and a local property tax levy.

The Recreational Revenue Fund - The Recreational Revenue Fund accounts for the activity of certain recreation activities for which revenue bonds have been issued. Funding is provided primarily through user charges. For purposes of the government-wide financial statements, the Recreational Revenue Fund has been included with the governmental activities.

Additionally, the City reports the following fund types:

Internal Service Funds - The Internal Service Funds account for major machinery and equipment purchases and maintenance services provided to other departments of the City on a cost reimbursement basis.

Pension and Other Employee Benefit Trust Funds - The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments. Agency fund activity includes tax collections and the general agency fund (District Court activity). Agency Funds are custodial in nature (assets equals liabilities) and do not involve the measurement of results of operations.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the City's policy to first apply restricted net assets.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private sector standards of accounting issued before December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

The fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. Agency Funds are custodial in nature and have no measurement focus.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Property Taxes - Properties are assessed as of December 31 and the related property taxes become a lien at that time. These taxes are billed on July 1 and December 1 of the following year and are due on September 1 and February 14, respectively, with the final collection date of February 28 before they are added to the county tax rolls.

The 2007 taxable valuation of the City totaled \$2 billion, on which ad valorem taxes levied consisted of 6.2987 mills for the City's operating purposes, 2.3618 mills for sanitation, 2.9363 mills for the Police and Fire Retirement System, 1.5656 mills for Police and Fire operations, .0255 mills for community promotion, .9830 mills for residential streets, .9725 mills for water and sewer, 2.2638 mills for the Lake St. Clair Clean Water Initiative Project and other debt service obligations, and .9244 mills for the library. The ad valorem taxes levied raised \$12.3 million for operation, \$4.6 million for sanitation, \$5.7 million for the Police and Fire Retirement System, \$3.1 million for Police and Fire operations, \$.05 million for community promotion, \$1.9 million for residential streets, \$1.9 million for water and sewer, \$4.5 million for debt service, and \$1.8 million for the library.

The delinquent real property taxes of the City are purchased by Macomb County. The county sells tax notes, the proceeds of which are used to pay the City for these property taxes. Macomb County remitted its purchased delinquent real property taxes in April 2008. Macomb County delinquent real property taxes have been recorded as revenue in the current year.

Inventories - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for operations and maintenance, debt service principal and interest, and a bond reserve. These amounts have been classified as restricted assets, along with amounts on deposit with the Macomb County Department of Public Works for the construction, maintenance, and debt service of the City's storm drains. The City also has amounts on deposit with the Macomb County Drain Commission for use in the Lake St. Clair Clean Water Initiative that have been classified as restricted assets.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets include all infrastructure acquired prior to the adoption of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, in 2003. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	8 to 40 years
Buildings and improvements	20 to 50 years
County drains	50 years
Land improvements	15 to 30 years
Vehicles	4 to 20 years
Furniture, fixtures, and equipment	7 to 30 years
Water and sewer distribution systems	50 years
Computer equipment	5 to 15 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation benefits. Under the City's policy, employees earn benefits based on time of service with the City. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end.

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

The Lake St. Clair Clean Water Initiative construction project administered by the Macomb County Drain Commission is a multi-year infrastructure project affecting several municipalities in southeast Macomb County. Allocations of project costs and related indebtedness issued by Macomb County on behalf of the participating municipalities have been made based on engineering estimates. It is at least reasonably possible that upon completion of the project, changes to the allocations could be made that could have a material effect on the capital assets and long-term debt recorded by the City.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

The City adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the third Monday in April, the City manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. As provided for by the City Charter, at a minimum, prior to the fourth Monday in June, the budget is legally adopted through passage of budget resolutions for each fund. An appropriation ordinance is approved by the City Council at the above-mentioned meeting.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

4. The City manager is authorized to transfer budgeted amounts within budgetary centers (activity); however, any revisions that alter the total expenditure of any budgetary center (activity) must be approved by the City Council.

Budgeted amounts of the revenues and expenditures presented for the General, Special Revenue, and Debt Service Funds are a summarization of the budgeted amounts as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adopted. Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the above funds is presented as required and other supplemental information.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the following exceptions:

- Transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).”
- Reimbursements from other funds have been included in revenue, rather than as a reduction of expenditures.

Deficits - The Tax Increment Finance Authority (TIFA), a discretely presented component unit, has negative net assets as of June 30, 2008 due to the reporting of a bond payable obligation. The funds of the TIFA, presented on a modified accrual basis, have positive fund balances at June 30, 2008.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of St. Clair Shores, Michigan incurred expenditures that were in excess of the amounts budgeted, as follows:

Special Revenue Funds	Final Budget	Actual	Variance
Library State Aid - Recreation and culture	\$ 23,500	\$ 33,017	\$ (9,517)
Drug Law Enforcement - Public safety	183,670	194,938	(11,268)
Court Building - General government	34,000	57,672	(23,672)
Family Rental Program - Community and economic development	21,000	29,623	(8,623)
Debt Service Funds			
SEMSD Clean Water Initiative -			
Transfers out	-	3,144,817	(3,144,817)
1989 MVH - Transfers out	-	4,239	(4,239)
1991 MVH - Transfers out	-	54	(54)

These unfavorable variances were caused by unanticipated expenditures/transfers that became necessary during the year.

State Construction Code Act - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2007	\$ (981,223)
Current year building permit revenue	296,710
Related expenses:	
Direct costs	\$ 584,057
Estimated indirect costs	<u>87,609</u>
Total construction code expenses	<u>671,666</u>
Cumulative shortfall at June 30, 2008	<u><u>\$ (1,356,179)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City's investment policy, adopted in accordance with state law, permits the City to invest in investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940. For mutual funds, the City may invest in funds registered under the Investment Company Act of 1940. This authorization is limited to investment pools and mutual funds whose intent is to maintain a net asset value of \$1.00 per share and allows for indirect investment in repurchase agreements and bankers' acceptances of United States banks, as allowable for direct investment by public corporations.

The City's Fiduciary Funds, the Pension Retirement Systems, the Police and Fire Retiree Health Care Expendable Trust Fund, and the General Employees' Retiree Health Care Expendable Trust Fund are also authorized by Michigan Public Act 314 of 1965 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the Pension Retirement System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Pension Retirement System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2008, only United States currency was received as collateral.

Note 3 - Deposits and Investments (Continued)

The Pension Retirement Systems have not imposed any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The Pension Retirement Systems and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of each investment pool as of June 30, 2008 was 94 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2008, the Pension Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Pension Retirement System as of June 30, 2008 was \$17,133,110 and \$16,553,080, respectively.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$30,860,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
United States government obligations	\$ 3,888,428	20.74 years
United States government agency bonds or notes	18,367,008	20.68 years
Collateralized mortgage obligations	7,541,933	25.09 years
Corporate asset-backed securities	4,505,080	10.13 years
Corporate bonds	13,138,849	9.59 years
Foreign bonds	360,590	18.19 years
Securities lending investment pool	17,133,110	94 days

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City investment policy does not further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 17,382,766	AAA	Standard and Poor's
United States government agency bonds or notes	18,367,008	NR - AAA	Standard and Poor's
Collateralized mortgage obligations	7,541,933	NR - AAA	Standard and Poor's
Corporate asset-backed securities	4,505,080	NR - AAA	Standard and Poor's
Corporate bonds (pension)	13,138,849	NR - AAA	Standard and Poor's
Foreign bonds (pension)	360,590	A- - A+	Standard and Poor's
Pension custodial accounts	4,588,172	Nonrated	
Securities lending investment pool	17,133,110	Nonrated	

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - The City's investment policy requires the City to diversify investments by security type and institution, with no more than 50 percent of the City's total investment portfolio being invested in a single security type or with a single financial institution. The City's fiduciary funds are also subject to Michigan Public Act 485 of 1996, which states investments in any one issuer (other than the U.S. government) may not exceed 5 percent of total investments. At June 30, 2008, the following fiduciary funds held investments in one issuer that exceeded 5 percent of total investments.

Issuer	Fair Value of Investment	Percentage of Fund Investments	Fund
Federal Home Loan Mortgage Corporation	\$ 3,881,791	7.89%	General Employees' Retirement System
Federal National Mortgage Association	9,889,195	9.26%	Police and Fire Retirement System
Federal National Mortgage Association	206,773	7.78%	Police and Fire Retiree Health Care Fund

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Local Streets Fund	\$ 6,496
	Recreational Revenue Fund	32,165
	Utility Fund	81,781
	Nonmajor governmental funds	255,877
	Total General Fund	376,319
Major Streets Fund	General Fund	80
	Local Streets Fund	1,614
	Total Major Streets Fund	1,694
Local Streets Fund	Major Streets Fund	109,828
	Recreational Revenue Fund	617
	Utility Fund	1,388
	Nonmajor governmental funds	103,402
	Total Local Streets Fund	215,235

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
SEMSD Clean Water Initiative Capital Projects Fund	SEMSD Clean Water Initiative Debt Service Fund	\$ 78,707
Utility Fund	General Fund	3,477
	Local Streets Fund	4,706
	Total Utility Fund	8,183
Recreational Revenue Fund	General Fund	46,476
Internal Service Funds	General Fund	101,206
	Local Streets Fund	31,498
	Recreational Revenue Fund	9,839
	Utility Fund	22,956
	Total Internal Service Funds	165,499
	Total	<u>\$ 892,113</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Major Streets Fund (1)	\$ 721,378
	Local Streets Fund (1)	854,216
	Recreational Revenue Fund (1)	272,000
	Nonmajor governmental funds (2)(3)	147,698
	Total General Fund	1,995,292
Major Streets Fund	Local Streets Fund (1)	413,000
	Nonmajor governmental funds (2)	493,788
	Total Major Streets Fund	906,788

(1) Transfer of discretionary funds to be used for the benefit of the community

(2) Transfer for debt service payments

(3) Transfer for capital improvements

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

Fund Transferred From	Fund Transferred To		Amount
SEMSD Clean Water Initiative	SEMSD Clean Water Initiative		
Debt Service Fund	Capital Projects Fund	(3)	\$ 300,173
	Utility Fund	(3)	2,844,644
	Total SEMSD Clean Water Initiative		
	Debt Service Fund		3,144,817
Nonmajor governmental funds	Major Streets Fund		4,293
	General Fund		124,000
	Local Streets Fund	(3)	637,282
	Total nonmajor governmental funds		765,575
	Total governmental funds		6,812,472
Utility Fund	Major Streets Fund		17,400
	Local Streets Fund		40,600
	Total Enterprise Funds		58,000
	Total		<u>\$ 6,870,472</u>

(1) Transfer of discretionary funds to be used for the benefit of the community

(2) Transfer for debt service payments

(3) Transfer for capital improvements

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities is as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Transfers	Balance June 30, 2008
Governmental activities:					
Other governmental capital assets:					
Capital assets not being depreciated:					
Land	\$ 10,101,130	\$ -	\$ (2,312)	\$ -	\$ 10,098,818
Construction in progress	3,435,881	410,926	-	-	3,846,807
Subtotal	13,537,011	410,926	(2,312)	-	13,945,625
Capital assets being depreciated:					
Infrastructure	87,462,097	5,902,733	(809,571)	(624,108)	91,931,151
Buildings and improvements	17,692,738	332,783	(106,027)	-	17,919,494
County drains	2,941,165	-	-	-	2,941,165
Land improvements	12,166,278	38,322	-	-	12,204,600
Furniture, fixtures, and equipment	8,073,461	495,457	(277,363)	-	8,291,555
Computer equipment	2,733,717	20,625	(98,376)	-	2,655,966
Subtotal	131,069,456	6,789,920	(1,291,337)	(624,108)	135,943,931
Accumulated depreciation:					
Infrastructure	31,531,350	5,113,569	(809,571)	-	35,835,348
Buildings and improvements	9,220,288	631,465	(64,460)	-	9,787,293
County drains	1,176,614	58,823	-	-	1,235,437
Land improvements	4,501,061	348,115	-	-	4,849,176
Furniture, fixtures, and equipment	3,569,804	416,330	(215,268)	-	3,770,866
Computer equipment	2,106,465	204,614	(93,686)	-	2,217,393
Subtotal	52,105,582	6,772,916	(1,182,985)	-	57,695,513
Net capital assets being depreciated	78,963,874	17,004	(108,352)	(624,108)	78,248,418
Net other governmental capital assets	92,500,885	427,930	(110,664)	(624,108)	92,194,043
Recreational Revenue Fund assets:					
Capital assets being depreciated:					
Buildings and improvements	2,432,271	-	-	-	2,432,271
Land improvements	4,731,046	22,893	-	-	4,753,939
Furniture, fixtures, and equipment	2,271,435	102,712	(116,581)	-	2,257,566
Computer equipment	13,585	-	-	-	13,585
Subtotal	9,448,337	125,605	(116,581)	-	9,457,361

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

	Balance June 30, 2007	Additions	Disposals and Adjustments	Transfers	Balance June 30, 2008
Governmental activities (Continued):					
Recreational Revenue Fund assets (Continued):					
Accumulated depreciation:					
Buildings and improvements	\$ 1,482,586	\$ 78,910	\$ -	\$ -	\$ 1,561,496
Land improvements	2,314,449	152,455	-	-	2,466,904
Furniture, fixtures, and equipment	1,245,973	102,644	(116,228)	-	1,232,389
Computer equipment	8,948	618	-	-	9,566
Subtotal	5,051,956	334,627	(116,228)	-	5,270,355
Net Recreational Revenue Fund capital assets being depreciated	4,396,381	(209,022)	(353)	-	4,187,006
Motor Pool Fund capital assets:					
Capital assets not being depreciated:					
Construction in progress	-	2,112	-	-	2,112
Vehicles not in service	56,028	198,345	-	(56,028)	198,345
Subtotal	56,028	200,457	-	(56,028)	200,457
Capital assets being depreciated:					
Buildings and improvements	345,830	-	-	-	345,830
Vehicles	8,597,437	891,061	(817,327)	56,028	8,727,199
Furniture, fixtures, and equipment	147,800	-	-	-	147,800
Subtotal	9,091,067	891,061	(817,327)	56,028	9,220,829
Accumulated depreciation:					
Buildings and improvements	182,216	9,000	-	-	191,216
Vehicles	5,921,295	651,256	(672,151)	-	5,900,400
Furniture, fixtures, and equipment	89,146	6,860	-	-	96,006
Subtotal	6,192,657	667,116	(672,151)	-	6,187,622
Net Motor Pool Fund capital assets being depreciated	2,898,410	223,945	(145,176)	56,028	3,033,207
Net Motor Pool Fund capital assets	2,954,438	424,402	(145,176)	-	3,233,664
Computer Replacement Fund capital assets:					
Capital assets being depreciated - Computer equipment	305,515	132,633	(2,168)	-	435,980
Accumulated depreciation - Computer equipment	105,313	74,150	(1,301)	-	178,162
Net Computer Replacement Fund capital assets being depreciated	200,202	58,483	(867)	-	257,818
Net Internal Service Fund capital assets	3,154,640	482,885	(146,043)	-	3,491,482
Governmental capital assets not being depreciated	13,593,039	611,383	(2,312)	(56,028)	14,146,082
Net governmental capital assets being depreciated	86,458,867	90,410	(254,748)	(568,080)	85,726,449
Net governmental activities capital assets	\$ 100,051,906	\$ 701,793	\$ (257,060)	\$ (624,108)	\$ 99,872,531

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

	Balance July 1, 2007	Additions	Disposals and Adjustments	Transfers	Balance June 30, 2008
Business-type activities:					
Capital assets not being depreciated -					
Construction in progress	\$ 2,009,828	\$ 2,224,138	\$ -	\$ (1,715,866)	\$ 2,518,100
Capital assets being depreciated:					
Land improvements	1,038,079	-	-	-	1,038,079
Water and sewer distribution systems	82,567,282	48,995	-	2,335,178	84,951,455
Buildings and improvements	5,076,577	-	-	-	5,076,577
Furniture, fixtures, and equipment	325,325	310,291	(8,100)	4,796	632,312
Computer equipment	385,941	-	-	-	385,941
Subtotal	89,393,204	359,286	(8,100)	2,339,974	92,084,364
Accumulated depreciation:					
Land improvements	262,433	34,603	-	-	297,036
Water and sewer distribution systems	20,002,149	1,459,317	-	-	21,461,466
Building and improvements	5,062,080	2,005	-	-	5,064,085
Furniture, fixtures, and equipment	254,079	18,084	(4,320)	-	267,843
Computer equipment	280,947	18,350	-	-	299,297
Subtotal	25,861,688	1,532,359	(4,320)	-	27,389,727
Net capital assets being depreciated	63,531,516	(1,173,073)	(3,780)	2,339,974	64,694,637
Net capital assets	\$ 65,541,344	\$ 1,051,065	\$ (3,780)	\$ 624,108	\$ 67,212,737

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 691,646
Public safety	654,787
Public works	5,468,427
Community and economic development	41,132
Recreation and culture	992,816
Total governmental activities	<u>\$ 7,848,808</u>
Business-type activities - Water and sewer	<u>\$ 1,532,359</u>

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

Construction Commitments - The City has active construction projects at year end, including the Lake St. Clair Clean Water Initiative Construction project administered by the Macomb County Drain Commission. At June 30, 2008, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
SEMSD Clean Water Initiative Capital Project	\$ 47,186,000	\$ 12,064,000

Note 6 - Changes in General Fund Reserved Fund Balance

	Reserved For		
	Postemployment Benefits	Sanitation	Street Improvement
Reserved fund balances - July 1, 2007	\$ 512,018	\$ 6,228,303	\$ 869
Special tax levy	5,746,461	692,672	124,000
Interest on reserve balance	-	315,835	10
Sanitation expenditures	-	(4,640)	-
Transfer to Local Streets Fund	-	(20,000)	(124,000)
Postemployment benefit payments	(5,641,139)	-	-
Reserved fund balances - June 30, 2008	\$ 617,340	\$ 7,212,170	\$ 879

Note 7 - Restricted Assets

Specific assets of the Utility Fund and the Recreational Revenue Fund have been restricted for operations and maintenance, debt service, and bond reserve in connection with covenants established by revenue bond ordinances.

In addition, the City's governmental activities have funds held by the Macomb County Department of Public Works and the Macomb County Drain Commission on behalf of the City to be used for the construction and maintenance of storm drains, and the Lake St. Clair Clean Water Initiative, respectively, including related debt service.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Restricted Assets (Continued)

The following is the detail of restricted assets at June 30, 2008:

	Governmental Activities	Business-type Activities
Cash and cash equivalents:		
Utility Fund Revenue Bonds required reserves:		
Operations and maintenance	\$ -	\$ 1,307,230
Debt service	-	51,196
Total Utility Fund	-	1,358,426
Recreational Revenue Fund Revenue Bond required reserves:		
Operation and maintenance	130,897	-
Debt service	65,298	-
Bond reserve	263,500	-
Total Recreational Revenue Fund	459,695	-
Total cash and cash equivalents	459,695	1,358,426
Assets held by the Macomb County Dept. of Public Works for Storm Drains	417,554	-
Assets held by the Macomb County Drain Commission for use in the Lake St. Clair Clean Water Initiative	12,064,027	-
Total restricted assets	<u>\$ 12,941,276</u>	<u>\$ 1,358,426</u>

Net assets have been restricted in an equivalent amount at June 30, 2008.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Retirement Plans

Plan Description

The City contributes to two single-employer defined benefit retirement plans: (1) the General Employees' Retirement System, covering general employees and (2) the Police and Fire Retirement System, covering certain police and fire department personnel. The City's and employees' obligations to contribute benefit provisions and all other requirements of the systems are established under City Charter and Michigan Act No. 345 of the Public Acts of 1937, as amended. The plans do not issue separate financial reports; however, financial statements are provided at the end of this note.

At June 30, 2007, the date of the most recent actuarial valuation, membership in the plans consisted of the following:

	Employees' Retirement System	Police and Fire Retirement System
Retirees and beneficiaries of deceased retirees currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>223</u>	<u>174</u>
Current employees:		
Vested	59	92
Nonvested	<u>65</u>	<u>42</u>
Total	<u>124</u>	<u>134</u>

Annual Pension Costs

For the year ended June 30, 2008, the City's annual pension cost of \$3,178,644 for the Police and Fire Retirement System and \$2,048,129 for the General Employees' Retirement System was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2007 using the entry age actuarial cost method.

Note 8 - Retirement Plans (Continued)

Significant actuarial assumptions used include the assumption that benefits will increase with cost of living adjustments of 5 percent at age 60 or five years after retirement, whichever is later for the General Employees' Retirement System and whichever is first for the Police and Fire Retirement System, with additional increases of 2.5 percent to 5 percent occurring in two- to five-year increments after the first increase. Other significant assumptions include the following:

	Employees' Retirement System	Police and Fire Retirement System
Rate of return on the investment of present and future assets, compounded annually	8%	7.5%
Projected salary increases, depending on age, attributable to seniority/merit, compounded annually	4.5-9.4%*	4.5-7.5%*

* Includes an inflation component of 4.5 percent

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis for the General Employees' Retirement System and on an open basis for the Police and Fire Retirement System. The remaining amortization period is 10 years if overfunded and 25 years if underfunded for the Police and Fire Retirement System and 18 years for the General Employees' Retirement System.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

Note 8 - Retirement Plans (Continued)

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 2 percent to 5 percent and 0 percent to 1 percent of gross wages for the Police and Fire Retirement System and General Employees' Retirement System, respectively.

The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Funded Status and Funding Progress

General Employees' Retirement System - As of June 30, 2007, the most recent actuarial valuation date, the plan was 83.0 percent funded. The actuarial accrued liability for benefits was \$53.87 million, and the actuarial value of assets was \$44.70 million, resulting in an unfunded actuarial accrued liability of \$9.17 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.56 million, and the ratio of unfunded actuarial accrued liability to the covered payroll was 139.8 percent.

Police and Fire Retirement System - As of June 30, 2007, the most recent actuarial valuation date, the plan was 90.0 percent funded. The actuarial accrued liability for benefits was \$111.00 million, and the actuarial value of assets was \$99.91 million, resulting in an unfunded actuarial accrued liability of \$11.09 million. The covered payroll (annual payroll of active employees covered by the plan) was \$10.68 million, and the ratio of unfunded actuarial accrued liability to the covered payroll was 103.8 percent.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Retirement Plans (Continued)

Reserve Balances

The reserves for the retirement systems at June 30, 2008 consist of the following:

	General Employees' Retirement System	Police and Fire Retirement System
Legally required reserves:		
Reserved for employee contributions	\$ 547,456	\$ 4,835,481
Reserved for retiree benefit payments	22,027,491	70,171,721
Additional reserves:		
Reserved for employer contributions	20,606,260	18,995,231
Reserved for excess earnings distribution	1,140,440	3,396,788
Total	<u>\$ 44,321,647</u>	<u>\$ 97,399,221</u>

Three-year trend information is as follows:

	General Employees' Retirement System		
	Fiscal Year Ended June 30		
	2008	2007	2006
Annual pension cost (APC)	\$ 2,048,129	\$ 1,976,456	\$ 1,809,655
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Police and Fire Retirement System		
	Fiscal Year Ended June 30		
	2008	2007	2006
Annual pension cost (APC)	\$ 3,178,644	\$ 2,978,593	\$ 2,321,893
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Retirement Plans (Continued)

Condensed financial statements of the City's defined benefit retirement plans and retirement healthcare plan are as follows:

	General Employees' Retirement System	Police and Fire Retirement System	General Employees' Health Care Fund	Police and Fire Retiree Health Care Fund
Assets				
Cash	\$ 509,956	\$ 1,498,691	\$ 46,146	\$ 90,139
Investments	49,204,613	106,842,077	406,033	2,658,845
Due from other governmental units	450,153	754,885	-	-
Accrued interest receivable	<u>134,791</u>	<u>363,546</u>	<u>-</u>	<u>7,116</u>
Total assets	50,299,513	109,459,199	452,179	2,756,100
Liabilities				
Accrued benefit payable	345,942	558,792		
Amounts due to broker under securities lending agreement	<u>5,631,924</u>	<u>11,501,186</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5,977,866</u>	<u>12,059,978</u>	<u>-</u>	<u>-</u>
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 44,321,647</u>	<u>\$ 97,399,221</u>	<u>\$ 452,179</u>	<u>\$ 2,756,100</u>

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Retirement Plans (Continued)

	General Employees' Retirement System	Police and Fire Retirement System	General Employees' Health Care Fund	Police and Fire Retiree Health Care Fund
Additions				
Investment income:				
Interest and dividends	\$ 1,364,609	\$ 3,381,994	\$ 17,708	\$ 75,915
Net decrease in fair value of investments	(1,912,729)	(9,419,308)	(33,989)	(192,678)
Less investment expenses	<u>(297,695)</u>	<u>(559,567)</u>	<u>(1,866)</u>	<u>(26,047)</u>
Net investment income	(845,815)	(6,596,881)	(18,147)	(142,810)
Securities lending income:				
Interest	281,951	647,032	-	-
Less borrower rebates and bank fees	<u>(238,073)</u>	<u>(565,635)</u>	<u>-</u>	<u>-</u>
Net securities lending income	43,878	81,397	-	-
Contributions:				
Employer	2,048,129	3,178,644	315,263	410,000
Employee	<u>43,944</u>	<u>512,457</u>	<u>-</u>	<u>-</u>
Total contributions	<u>2,092,073</u>	<u>3,691,101</u>	<u>315,263</u>	<u>410,000</u>
Total additions - Net of investment returns	1,290,136	(2,824,383)	297,116	267,190
Deductions				
Benefit payments	4,125,239	6,878,932	-	-
Refunds of contributions	2,125	22,962	-	-
Administrative expenses	<u>28,152</u>	<u>37,243</u>	<u>667</u>	<u>-</u>
Total deductions	<u>4,155,516</u>	<u>6,939,137</u>	<u>667</u>	<u>-</u>
Net Increase (Decrease)	(2,865,380)	(9,763,520)	296,449	267,190
Net Assets Held in Trust for Pension Benefits				
Beginning of year	<u>47,187,027</u>	<u>107,162,741</u>	<u>155,730</u>	<u>2,488,910</u>
End of year	<u>\$ 44,321,647</u>	<u>\$ 97,399,221</u>	<u>\$ 452,179</u>	<u>\$ 2,756,100</u>

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 9 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Fund Financial Statements			Government-wide Financial Statements
	Unavailable	Unearned	Total	Unearned
Property taxes	\$ 97,268	\$ 16,351	\$ 113,619	\$ 16,351
Grant revenue	39,371	-	39,371	-
Special assessments	160,235	-	160,235	-
Charges for services	96,114	-	96,114	-
Rental income	-	-	-	73,712
Total restricted assets	<u>\$ 392,988</u>	<u>\$ 16,351</u>	<u>\$ 409,339</u>	<u>\$ 90,063</u>

Note 10 - Leases

Capital Leases - The City has entered into lease agreements as lessee for financing the purchase of heating and air conditioning units and various other City renovations. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date (see Note 11). The cost and accumulated depreciation of the assets under capital leases as of June 30, 2008 total approximately \$1,515,000 and \$862,000, respectively.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 10 - Leases (Continued)

The future minimum lease payments for all capital leases for the years ending June 30, 2009 through June 30, 2013 and in total are as follows:

Years Ending June 30	Amount
2009	\$ 96,546
2010	51,205
2011	-
2012	-
2013	-
Total minimum lease payments	147,751
Less amount representing interest	(5,376)
Present value at June 30, 2008	<u>\$ 142,375</u>

Note 11 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities. Compensated absences are typically liquidated with funds from the General Fund, Local Streets Fund, Recreational Revenue Fund, Utility Fund, and the Internal Service Funds.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 11 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Transfers	Ending Balance	Due Within One Year
Governmental activities:								
Other governmental obligations:								
Milk River Drain Drainage District:								
Amount of Issue - \$93,464	2.50%-	\$7,122 -						
Maturing through 2013	8.50%	\$8,211	\$ 46,962	\$ -	\$ (7,331)	\$ -	\$ 39,631	\$ 7,561
2001 Lake St. Clair Clean Water Initiative:								
Amount of Issue - \$51,644,703	2.500%-	\$210,055 -						
Maturing through 2029	5.125%	\$462,084	7,514,436	-	(284,384)	-	7,230,052	292,442
General obligation bonds:								
2001 Michigan Transportation Fund Bonds:								
Amount of Issue - \$4,200,000	3.20% -	\$355,000 -						
Maturing through 2013	4.25%	\$465,000	2,960,000	-	(380,000)	-	2,580,000	395,000
1997 Building Authority Arena bonds:								
Amount of Issue - \$1,500,000	4.80% -	\$110,000 -						
Maturing through 2012	5.30%	\$140,000	635,000	-	(115,000)	-	520,000	120,000
Total general and other governmental obligations			11,156,398	-	(786,715)	-	10,369,683	815,003
Capital lease obligations:								
Honeywell:								
Amount of Issue - \$574,272		\$42,375 -						
Maturing through 2009	3.49%	\$111,403	124,946	-	(82,571)	-	42,375	42,375
National City Bank:								
Amount of Issue - \$500,000								
Maturing through 2009	4.82%	\$50,000	150,000	-	(50,000)	-	100,000	50,000
Total capital lease obligations			274,946	-	(132,571)	-	142,375	92,375
Other long-term obligations:								
Noncurrent portion of general liability claims and workers' compensation (Note 12)								
			870,327	-	(246,519)	-	623,808	-
Compensated absences			5,048,066	2,388,337	(1,947,571)	-	5,488,832	1,441,067
Total other long-term obligations			5,918,393	2,388,337	(2,194,090)	-	6,112,640	1,441,067
Subtotal			17,349,737	2,388,337	(3,113,376)	-	16,624,698	2,348,445
Recreational revenue obligations:								
Revenue Bonds:								
2003 Recreational Revenue Refunding Bonds:								
Amount of Issue - \$3,980,000	2.00% -	\$275,000 -						
Maturing through 2016	4.30%	\$375,000	2,920,000	-	(285,000)	-	2,635,000	290,000
Less unamortized discount on issuance			(63,899)	-	22,354	-	(41,545)	(21,343)
Deferred amount on refunding			(175,910)	-	61,538	-	(114,372)	(58,757)
Other long-term obligations:								
Noncurrent portion of general liability claims and workers' compensation (Note 12)								
			14,249	3,125	-	-	17,374	-
Compensated absences			42,289	18,947	(14,258)	-	46,978	12,383
Subtotal - Recreational revenue obligations			2,736,729	22,072	(215,366)	-	2,543,435	222,283

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 11 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Transfers	Ending Balance	Due Within One Year
Internal Service Fund Obligations - Motor Pool Fund:								
Noncurrent portion of general liability claims and workers' compensation (Note 12)			\$ 728	\$ 156	\$ -	\$ -	\$ 884	\$ -
Compensated absences			25,507	8,856	(13,691)	-	20,672	6,490
Total governmental activities			20,112,701	2,419,421	(3,342,433)	-	19,189,689	2,577,218
Business-type activities:								
Revenue bonds:								
Water and Sewer Revenue Bonds:								
2004 refunding bond								
Amount of issue - \$2,050,000	2.75% -	\$150,000 -						
Maturing through 2017	3.90%	\$215,000	1,770,000	-	(150,000)	-	1,620,000	150,000
Less unamortized discount on issuance			(52,185)	-	5,020	-	(47,165)	(4,600)
Deferred amount on refunding			(38,865)	-	3,741	-	(35,124)	(3,426)
2006 Limited Tax Obligation Bonds:								
Amount of issue - \$3,750,000	4.25% -	\$130,000 -						
Maturing through 2026	4.375%	\$270,000	3,610,000	-	(130,000)	-	3,480,000	135,000
Less unamortized discount on issuance			(52,743)	-	3,571	-	(49,172)	(3,543)
Deferred amount on refunding			(20,167)	-	1,365	-	(18,802)	(1,355)
Total bond obligations			5,216,040	-	(266,303)	-	4,949,737	272,076
Other governmental obligations:								
2001 Lake St. Clair Clean Water Initiative:								
Amount of Issue - \$30,501,908	2.500%-	\$1,069,209 -						
Maturing through 2029	5.125%	\$2,352,070	38,240,401	-	(1,447,552)	-	36,792,849	1,488,569
Other long-term obligations:								
Noncurrent portion of general liability claims and workers' compensation (Note 12)			21,013	6,106	-	-	27,119	27,119
Compensated absences			144,799	97,185	(109,259)	-	132,725	28,027
Total business-type activities			43,622,253	103,291	(1,823,114)	-	41,902,430	1,815,791
Total governmental and business-type activities			\$ 63,734,954	\$ 2,522,712	\$ (5,165,547)	\$ -	\$ 61,092,119	\$ 4,393,009
Component units - 1997 Tax Increment Finance								
Authority Development Bonds:								
Amount of Issue - \$3,500,000	4.70% -	\$285,000 -						
Maturing through 2012	5.25%	\$415,000	\$ 1,835,000	\$ -	\$ (315,000)	\$ -	\$ 1,520,000	\$ 335,000

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 11 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond, note, and capital lease obligations are as follows:

	Governmental Activities								
	General Obligations			Recreation Revenue			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Grand Total
2009	\$ 907,379	\$ 395,690	\$ 1,303,069	\$ 209,900	\$ 101,040	\$ 310,940	\$ 1,117,279	\$ 496,730	\$ 1,614,009
2010	893,588	361,107	1,254,695	224,182	92,340	316,522	1,117,770	453,447	1,571,217
2011	878,981	326,592	1,205,573	310,000	82,440	392,440	1,188,981	409,032	1,598,013
2012	903,090	291,382	1,194,472	320,000	71,590	391,590	1,223,090	362,972	1,586,062
2013	789,514	254,627	1,044,141	335,000	58,790	393,790	1,124,514	313,417	1,437,931
2014-2018	2,287,164	964,496	3,251,660	1,080,000	92,760	1,172,760	3,367,164	1,057,256	4,424,420
2019-2023	2,156,002	620,299	2,776,301	-	-	-	2,156,002	620,299	2,776,301
2024-2028	1,147,726	288,642	1,436,368	-	-	-	1,147,726	288,642	1,436,368
2029-2030	548,614	27,991	576,605	-	-	-	548,614	27,991	576,605
Total	\$ 10,512,058	\$ 3,530,826	\$ 14,042,884	\$ 2,479,082	\$ 498,960	\$ 2,978,042	\$ 12,991,140	\$ 4,029,786	\$ 17,020,926

	Business-type Activities			Component Units		
	Utility Fund			TIFA		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 1,760,645	\$ 1,551,738	\$ 3,312,383	\$ 335,000	\$ 69,359	\$ 404,359
2010	1,818,574	1,493,086	3,311,660	375,000	51,599	426,599
2011	1,880,214	1,432,200	3,312,414	395,000	31,959	426,959
2012	1,940,413	1,369,222	3,309,635	415,000	10,894	425,894
2013	2,003,906	1,303,916	3,307,822	-	-	-
2014-2018	10,891,904	5,439,619	16,331,523	-	-	-
2019-2023	12,048,245	3,470,265	15,518,510	-	-	-
2024-2028	6,615,233	1,538,166	8,153,399	-	-	-
2029-2030	2,783,452	142,479	2,925,931	-	-	-
Total	\$ 41,742,586	\$ 17,740,691	\$ 59,483,277	\$ 1,520,000	\$ 163,811	\$ 1,683,811

Refunding - In prior years, the City has defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At June 30, 2008, \$1,855,000 of bonds outstanding are considered defeased.

Note 11 - Long-term Debt (Continued)

Revenue Bonds - The City has pledged certain revenue of the Utility Fund and Recreational Revenue Fund, net of operating expenses, to repay the revenue bonds disclosed above. Proceeds from the bonds provided financing for the repair of water and sewer lines, and the construction of park and recreational infrastructure within the City. The bonds are payable solely from the net revenues of the utility and recreational systems. The remaining principal and interest to be paid on the bonds total \$4,799,189. During the current year, net revenues of the utility and recreational systems totaled \$3,797,140, compared to annual debt requirements of \$342,347.

Note 12 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The City participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool program for claims related to liability, auto, and property. The program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although funds are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City is self-funded for workers' compensation and medical benefits up to a retention amount, at which time the City's reinsurance coverage begins. Listed below is an analysis by category of the City's risk of loss.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2008

Note 12 - Risk Management (Continued)

The City estimates the liability for property loss, general liability, workers' compensation, and medical benefits claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. The estimated liability for property loss, general liability, and medical claims is recorded within the governmental activities column of the statement of net assets (deficit). The estimated liability for workers' compensation is recorded within the governmental activities and business-type activities columns of the statement of net assets (deficit). Changes in the estimated liability for the past two fiscal years were as follows:

	Liability, Auto, and Property		Workers' Compensation		Medical Benefit Plan	
	2008	2007	2008	2007	2008	2007
Estimated liability - Beginning of year	\$ 415,734	\$ 283,258	\$ 225,044	\$ 320,266	\$ 265,539	\$ 30,293
Estimated claims incurred, including changes in estimates	188,856	294,470	111,994	73,060	5,475,619	5,433,808
Claim payments	(193,961)	(161,994)	(67,970)	(168,282)	(5,512,436)	(5,198,562)
Estimated liability - End of year	<u>\$ 410,629</u>	<u>\$ 415,734</u>	<u>\$ 269,068</u>	<u>\$ 225,044</u>	<u>\$ 228,722</u>	<u>\$ 265,539</u>
Current liability - Included in accrued liabilities in the General Fund	\$ -	\$ -	\$ 10,512	\$ -	\$ 228,722	\$ -
Long-term liability	<u>410,629</u>	<u>415,734</u>	<u>258,556</u>	<u>225,044</u>	<u>-</u>	<u>265,539</u>
Total liability	<u>\$ 410,629</u>	<u>\$ 415,734</u>	<u>\$ 269,068</u>	<u>\$ 225,044</u>	<u>\$ 228,722</u>	<u>\$ 265,539</u>

Note 13 - Other Postemployment Benefits

In addition to providing pension benefits, the City provides certain healthcare benefits to all full-time employees and their spouses and dependents upon retirement, in accordance with labor contracts. As of the most recent actuarial valuations dated June 30, 2008, 348 retirees were eligible. The City includes pre-Medicare retirees and their dependents in its healthcare plan, with no contribution required by the participants. The City provides Medicare supplemental benefits for retirees eligible for Medicare. Expenditures for postemployment healthcare insurance are recognized as the insurance premiums become due. Premiums and benefits for the retirees, their spouses, and dependents are paid annually from the General Fund. Payments totaled approximately \$3,801,000 for the year ended June 30, 2008.

Note 14 - Joint Ventures

The City is a member of the Southeast Macomb Sanitary District, which provides sewage disposal to participating municipalities in Macomb County, Michigan. Other members include the cities of Roseville and Eastpointe, Michigan. The City appoints one member to the joint venture's governing board, who then approve the annual budgets. The City's equity interest of \$8,869,499 is recorded in the Utility Fund financial statements and within the business-type activities column in the statement of net assets (deficit). Complete financial statements for the South Macomb Sanitary District can be obtained from the administrative offices at 20001 Pleasant Avenue, Box 286, St. Clair Shores, MI 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The City is a member of the South Macomb Disposal Authority, which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Center Line, Roseville, Eastpointe, and Warren, Michigan. The City appoints one member to the joint venture's governing board, who then approve the annual budgets. The City's equity interest in the Authority's operating reserve of \$376,072 is recorded within the governmental activities column of the statement of net assets (deficit). The Authority also has reserves totaling approximately \$4,756,000 that have been designated for self-insurance activities; the participating community's equity interest in the insurance reserve is not determinable. Complete financial statements for the South Macomb Disposal Authority can be obtained from the administrative offices at 20001 Pleasant Avenue, Box 286, St. Clair Shores, MI 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Note 15 - Upcoming Accounting and Reporting Change

Other Postemployment Benefits - The Governmental Accounting Standards Board has recently issued Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new standard will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the fiscal year ending June 30, 2009.

An actuarial valuation of the City's postemployment healthcare obligations as of June 30, 2006 estimates an unfunded actuarial accrued liability for the Police and Fire Retiree Health Care Plan and the General Employees' Retiree Health Care Plan of approximately \$54.9 million and \$47.8 million, respectively. The City has recently made changes to retiree healthcare benefits for certain employees through negotiations with bargaining groups that are expected to reduce the estimated unfunded obligation. The effect of these changes and the impact on the estimated annual required contribution of the fiscal year ending June 30, 2009 have not yet been determined.

Environmental Liabilities - The Governmental Accounting Standards Board has recently released Statement Number 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The new pronouncement provides guidance for local units of government in recognizing pollution remediation expenses and obligations to address current or potential detrimental effects of existing pollution. The new pronouncement is effective for the year ending June 30, 2009. Management is currently assessing the impact of this new accounting standard on the City's financial statements for future reporting periods.

Note 16 - Subsequent Event

Declines in Investment Values - Subsequent to year end, the City's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Required Supplemental Information

City of St. Clair Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued on subsequent page) Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 28,394,666	\$ 29,137,948	\$ 28,651,690	\$ (486,258)
State sources	5,736,770	5,630,246	6,164,917	534,671
Federal sources	643,000	851,398	491,450	(359,948)
Licenses and permits	1,377,500	1,337,500	1,307,273	(30,227)
Charges for services:				
Major and local streets	797,000	797,000	797,000	-
Municipal activities building	1,030,503	1,030,503	1,042,432	11,929
Recreation	381,525	381,525	339,394	(42,131)
Ambulance	1,010,000	1,010,000	1,125,978	115,978
Water and sewer administrative charge	1,264,000	1,264,000	1,264,000	-
Library reimbursements	74,000	74,000	74,000	-
Motorpool reimbursements	223,000	223,000	223,000	-
Other charges for services	1,443,200	1,443,200	1,374,299	(68,901)
Total charges for services	6,223,228	6,223,228	6,240,103	16,875
Investment income	1,250,000	1,475,000	1,583,299	108,299
Court fines and forfeitures:				
District Court fees	2,011,000	1,711,000	1,728,450	17,450
Book fines and fees	50,000	50,000	59,911	9,911
Total court fines and forfeitures	2,061,000	1,761,000	1,788,361	27,361
Other income	475,534	618,034	662,531	44,497
Total revenues	46,161,698	47,034,354	46,889,624	(144,730)
Expenditures				
General government:				
Legislative	83,950	83,950	79,960	3,990
Judicial	1,839,536	1,863,536	1,637,571	225,965
Executive	507,028	507,028	459,984	47,044
Election	714,927	729,927	567,905	162,022
Finance	1,140,812	1,340,812	1,232,970	107,842
Attorney	445,000	445,000	331,516	113,484
Building maintenance	774,180	961,470	764,324	197,146
Assessor	401,734	401,734	356,354	45,380
Information systems	408,128	440,128	369,083	71,045
General government	5,696,707	5,683,707	4,741,383	942,324
Boards and commissions	372,817	375,817	350,219	25,598
Insurance/Claims	1,161,065	1,017,037	705,171	311,866
Total general government	13,545,884	13,850,146	11,596,440	2,253,706

City of St. Clair Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued)				
Public safety:				
Police	\$ 12,778,807	\$ 12,832,692	\$ 12,289,677	\$ 543,015
Fire	<u>6,900,382</u>	<u>7,008,606</u>	<u>6,692,617</u>	<u>315,989</u>
Total public safety	19,679,189	19,841,298	18,982,294	859,004
Public works:				
Public works administration	153,008	153,008	149,293	3,715
Sanitation	<u>3,554,491</u>	<u>3,779,691</u>	<u>3,496,035</u>	<u>283,656</u>
Total public works	3,707,499	3,932,699	3,645,328	287,371
Community and economic development	2,363,849	2,363,849	1,997,405	366,444
Recreational and cultural:				
Parks and recreation administration	719,896	719,896	672,381	47,515
Recreation	256,994	256,994	253,297	3,697
Parks	970,600	1,371,155	1,197,157	173,998
Arena	790,284	943,255	930,435	12,820
Senior center	431,065	431,065	377,238	53,827
Library and information services	<u>1,807,073</u>	<u>1,809,573</u>	<u>1,626,887</u>	<u>182,686</u>
Total recreational and cultural	4,975,912	5,531,938	5,057,395	474,543
Transfers out	<u>2,596,174</u>	<u>3,251,174</u>	<u>2,720,555</u>	<u>530,619</u>
Total expenditures	<u>46,868,507</u>	<u>48,771,104</u>	<u>43,999,417</u>	<u>4,771,687</u>
Excess of Revenues Over (Under) Expenditures	(706,809)	(1,736,750)	2,890,207	4,626,957
Fund Balance - Beginning of year	<u>21,203,477</u>	<u>21,203,477</u>	<u>21,203,477</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 20,496,668</u>	<u>\$ 19,466,727</u>	<u>\$ 24,093,684</u>	<u>\$ 4,626,957</u>

City of St. Clair Shores, Michigan

	Major Streets			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
State sources	2,555,226	2,555,226	2,459,106	(96,120)
Charges for services	-	-	-	-
Investment income	10,000	10,000	64,492	54,492
Other income	-	-	-	-
Transfers in	57,778	738,778	743,071	4,293
Total revenues	2,623,004	3,304,004	3,266,669	(37,335)
Expenditures				
General government	261,424	261,424	256,278	5,146
Public works	1,543,328	4,248,015	2,317,108	1,930,907
Transfers out	871,788	906,788	906,788	-
Total expenditures	2,676,540	5,416,227	3,480,174	1,936,053
Excess of Revenues Over (Under) Expenditures	(53,536)	(2,112,223)	(213,505)	1,898,718
Fund Balances - Beginning of year	2,113,297	2,113,297	2,113,297	-
Fund Balances - End of year	\$ 2,059,761	\$ 1,074	\$ 1,899,792	\$ 1,898,718

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
Year Ended June 30, 2008

Local Streets			
Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 1,922,958	\$ 1,922,958	\$ 1,923,630	\$ 672
1,000,555	1,000,555	960,788	(39,767)
160,000	160,000	276,182	116,182
10,000	10,000	48,542	38,542
8,000	21,575	21,980	405
<u>1,565,949</u>	<u>1,871,630</u>	<u>1,945,098</u>	<u>73,468</u>
4,667,462	4,986,718	5,176,220	189,502
609,989	609,989	597,996	11,993
4,059,520	4,893,285	3,924,626	968,659
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,669,509</u>	<u>5,503,274</u>	<u>4,522,622</u>	<u>980,652</u>
(2,047)	(516,556)	653,598	1,170,154
<u>534,713</u>	<u>534,713</u>	<u>534,713</u>	<u>-</u>
<u>\$ 532,666</u>	<u>\$ 18,157</u>	<u>\$ 1,188,311</u>	<u>\$ 1,170,154</u>

City of St. Clair Shores, Michigan

Required Supplemental Information Retirement Systems Schedule of Funding Progress June 30, 2008

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
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General Employees' Retirement System

06/30/02	\$ 43,840,530	\$ 45,610,034	\$ 1,769,504	96.1	\$ 7,868,956	22.5
06/30/03	42,168,775	47,200,490	5,031,715	89.3	7,324,919	68.7
06/30/04	41,259,961	49,337,849	8,077,888	83.6	6,969,930	115.9
06/30/05	41,062,064	50,931,381	9,869,317	80.6	6,532,301	151.1
06/30/06	42,222,117	52,481,690	10,259,573	80.5	6,783,425	151.2
06/30/07	44,702,803	53,868,304	9,165,501	83.0	6,557,936	139.8

Police and Fire Retirement System

06/30/02	\$ 108,832,118	\$ 90,182,317	\$ (18,649,801)	120.7	\$ 9,566,435	(195.0)
06/30/03	101,683,192	93,967,332	(7,715,860)	108.2	9,387,845	(82.2)
06/30/04	94,640,250	98,335,479	3,695,229	96.2	9,687,275	38.1
06/30/05	90,853,624	104,248,328	13,394,704	87.2	10,307,055	130.0
06/30/06	93,730,948	107,602,157	13,871,209	87.1	10,675,665	129.9
06/30/07	99,906,347	111,001,598	11,095,251	90.0	10,684,097	103.8

City of St. Clair Shores, Michigan

Required Supplemental Information Retirement Systems Schedule of Funding Progress (Continued) June 30, 2008

The schedule of employer contributions is as follows:

General Employees' Retirement System

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	\$ 1,050,063	100
2004	1,420,497	100
2005	1,605,170	100
2006	1,809,655	100
2007	1,976,456	100
2008	2,048,129	100

Police and Fire Retirement System

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	\$ 77,559	100
2004	86,089	100
2005	1,024,702	100
2006	2,321,893	100
2007	2,978,593	100
2008	3,178,644	100

Additional information as of June 30, 2007, the latest actuarial valuation, is as follows:

	General Employees' Retirement System	Police and Fire Retirement System
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent, closed	Level percent, open
Remaining amortization period	18 years	10 years if overfunded 25 years if underfunded
Asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial assumptions:		
Investment rate of return	8.00%	7.5%
Projected salary increases*	4.5%-9.4%	4.5%-7.5%
*Includes inflation at	4.5%	4.5%
Cost of living adjustments	5% cost of living increases at age 60 or five years after retirement, whichever is later, with a second increase of 5% five years after the first increase	2.5% - 5% cost of living increases at age 60 or three to five years after retirement, whichever is first. Up to five additional increases of 2.5% - 5% occurring in two- to five-year increments thereafter

City of St. Clair Shores, Michigan

Note to Required Supplemental Information June 30, 2008

Note - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Major Special Revenue Funds			
			Major Streets Fund		Local Streets Fund	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 43,830,628	\$ 39,069,129	\$ 2,523,598	\$ 2,573,386	\$ 3,231,122	\$ 4,522,622
Transfers recorded as revenue and expenditures	124,000	1,995,292	743,071	906,788	1,945,098	-
Reimbursements from other funds recorded as revenue	<u>2,934,996</u>	<u>2,934,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts per budget statement	<u>\$ 46,889,624</u>	<u>\$ 43,999,417</u>	<u>\$ 3,266,669</u>	<u>\$ 3,480,174</u>	<u>\$ 5,176,220</u>	<u>\$ 4,522,622</u>

Other Supplemental Information

City of St. Clair Shores, Michigan

	Nonmajor Special Revenue Funds					
	Library State Aid	Library Penal	Court Building	Drug Law Enforcement	Community Development Block Grant	Family Rental Program
Assets						
Cash and investments	\$ 43,258	\$ 124,306	\$ 1,295,315	\$ 650,168	\$ 3,547	\$ 8,776
Due from other governmental units	<u>20,712</u>	<u>64,960</u>	<u>43,493</u>	<u>6,225</u>	<u>323,267</u>	<u>-</u>
Total assets	<u>\$ 63,970</u>	<u>\$ 189,266</u>	<u>\$ 1,338,808</u>	<u>\$ 656,393</u>	<u>\$ 326,814</u>	<u>\$ 8,776</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 10,356	\$ -	\$ 25,353	\$ -	\$ 42,922	\$ -
Accrued and other liabilities	-	-	-	8,011	-	3,808
Due to other funds	<u>21,000</u>	<u>53,000</u>	<u>-</u>	<u>-</u>	<u>283,892</u>	<u>1,387</u>
Total liabilities	31,356	53,000	25,353	8,011	326,814	5,195
Fund Balances - Unreserved	<u>32,614</u>	<u>136,266</u>	<u>1,313,455</u>	<u>648,382</u>	<u>-</u>	<u>3,581</u>
Total liabilities and fund balances	<u>\$ 63,970</u>	<u>\$ 189,266</u>	<u>\$ 1,338,808</u>	<u>\$ 656,393</u>	<u>\$ 326,814</u>	<u>\$ 8,776</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

Nonmajor Debt Service Funds					Nonmajor Capital Projects Funds	
Debt Service	Building Authority	1989 MVH	1991 MVH	1994 MVH	Harper Ave. Street Scape	Total Nonmajor Governmental Funds
\$ 262,731	\$ 38,651	\$ -	\$ -	\$ 889	\$ 95,965	\$ 2,523,606
-	-	-	-	-	-	458,657
\$ 262,731	\$ 38,651	\$ -	\$ -	\$ 889	\$ 95,965	\$ 2,982,263
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,631
1,053	-	-	-	-	-	12,872
-	-	-	-	-	-	359,279
1,053	-	-	-	-	-	450,782
261,678	38,651	-	-	889	95,965	2,531,481
\$ 262,731	\$ 38,651	\$ -	\$ -	\$ 889	\$ 95,965	\$ 2,982,263

City of St. Clair Shores, Michigan

	Nonmajor Special Revenue Funds					
	Library State Aid	Library Penal	Court Building	Drug Law Enforcement	Community Development Block Grant	Family Rental Program
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	1,428,809	-
State sources	41,193	64,960	-	-	-	-
Interest income	1,537	4,843	55,233	23,868	-	-
Other	-	-	242,039	178,638	-	29,854
Total revenue	42,730	69,803	297,272	202,506	1,428,809	29,854
Expenditures						
Current:						
General government	-	-	57,672	-	-	-
Public safety	-	-	-	194,938	-	-
Public works	-	-	-	-	-	-
Community and economic development	-	-	-	-	791,527	29,623
Recreation and culture	33,017	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	33,017	-	57,672	194,938	791,527	29,623
Excess of Revenue Over (Under)						
Expenditures	9,713	69,803	239,600	7,568	637,282	231
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(21,000)	(53,000)	(50,000)	-	(637,282)	-
Total other financing sources (uses)	(21,000)	(53,000)	(50,000)	-	(637,282)	-
Net Change in Fund Balances	(11,287)	16,803	189,600	7,568	-	231
Fund Balances - Beginning of year	43,901	119,463	1,123,855	640,814	-	3,350
Fund Balances - End of year	<u>\$ 32,614</u>	<u>\$ 136,266</u>	<u>\$ 1,313,455</u>	<u>\$ 648,382</u>	<u>\$ -</u>	<u>\$ 3,581</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2008

Nonmajor Debt Service Funds					Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Debt Service	Building Authority	1989 MVH	1991 MVH	1994 MVH	Harper Ave. Street Scape	
\$ 527,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 527,384
-	-	-	-	-	-	1,428,809
-	-	-	-	-	-	106,153
14,604	1,283	-	-	2	3,552	104,922
-	-	-	-	-	-	450,531
541,988	1,283	-	-	2	3,552	2,617,799
-	-	-	-	-	-	57,672
-	-	-	-	-	-	194,938
356,195	-	-	-	-	-	356,195
-	-	-	-	-	-	821,150
-	-	-	-	-	-	33,017
7,331	115,000	-	-	380,000	-	502,331
1,124	32,698	-	-	113,788	-	147,610
364,650	147,698	-	-	493,788	-	2,112,913
177,338	(146,415)	-	-	(493,786)	3,552	504,886
-	147,698	-	-	493,788	-	641,486
-	-	(4,239)	(54)	-	-	(765,575)
-	147,698	(4,239)	(54)	493,788	-	(124,089)
177,338	1,283	(4,239)	(54)	2	3,552	380,797
84,340	37,368	4,239	54	887	92,413	2,150,684
\$ 261,678	\$ 38,651	\$ -	\$ -	\$ 889	\$ 95,965	\$ 2,531,481

City of St. Clair Shores, Michigan

Special Revenue Funds						
Library State Aid			Library Penal			
Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget	
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-
State sources	47,000	41,193	(5,807)	55,000	64,960	9,960
Interest income	100	1,537	1,437	100	4,843	4,743
Other	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total revenue	47,100	42,730	(4,370)	55,100	69,803	14,703
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works department	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Recreation and culture	23,500	33,017	(9,517)	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Transfers out	21,000	21,000	-	53,000	53,000	-
Total expenditures	44,500	54,017	(9,517)	53,000	53,000	-
Excess of Revenue Over (Under)						
Expenditures	2,600	(11,287)	(13,887)	2,100	16,803	14,703
Fund Balances - Beginning of year	43,901	43,901	-	119,463	119,463	-
Fund Balances - End of year	\$ 46,501	\$ 32,614	\$ (13,887)	\$ 121,563	\$ 136,266	\$ 14,703

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
(Continued on subsequent pages)
Year Ended June 30, 2008

Special Revenue Funds								
Court Building			Drug Law Enforcement			Community Development Block Grant		
Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	1,755,261	1,428,809	(326,452)
-	-	-	-	-	-	-	-	-
40,000	55,233	15,233	20,000	23,868	3,868	-	-	-
225,600	242,039	16,439	183,300	178,638	(4,662)	-	-	-
-	-	-	-	-	-	-	-	-
265,600	297,272	31,672	203,300	202,506	(794)	1,755,261	1,428,809	(326,452)
34,000	57,672	(23,672)	-	-	-	-	-	-
-	-	-	183,670	194,938	(11,268)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,117,979	791,527	326,452
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
50,000	50,000	-	-	-	-	637,282	637,282	-
84,000	107,672	(23,672)	183,670	194,938	(11,268)	1,755,261	1,428,809	326,452
181,600	189,600	8,000	19,630	7,568	(12,062)	-	-	-
1,123,855	1,123,855	-	640,814	640,814	-	-	-	-
\$ 1,305,455	\$ 1,313,455	\$ 8,000	\$ 660,444	\$ 648,382	\$ (12,062)	\$ -	\$ -	\$ -

City of St. Clair Shores, Michigan

	Special Revenue Funds			Debt Service Funds		
	Family Rental Program			Debt Service		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ 527,305	\$ 527,384	\$ 79
Federal sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Interest income	-	-	-	-	14,604	14,604
Other	25,000	29,854	4,854	-	-	-
Transfers in	-	-	-	-	-	-
Total revenue	25,000	29,854	4,854	527,305	541,988	14,683
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works department	-	-	-	518,950	356,195	162,755
Community and economic development	21,000	29,623	(8,623)	-	-	-
Recreation and culture	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	7,331	7,331	-
Interest and fiscal charges	-	-	-	1,124	1,124	-
Transfers out	-	-	-	-	-	-
Total expenditures	21,000	29,623	(8,623)	527,405	364,650	162,755
Excess of Revenue Over (Under)						
Expenditures	4,000	231	(3,769)	(100)	177,338	177,438
Fund Balances - Beginning of year	3,350	3,350	-	84,340	84,340	-
Fund Balances - End of year	\$ 7,350	\$ 3,581	\$ (3,769)	\$ 84,240	\$ 261,678	\$ 177,438

Other Supplemental Information
Budgetary Comparison Schedule
Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2008

Debt Service Funds					
Building Authority			1989 MVH		
Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	1,283	1,283	-	-	-
-	-	-	-	-	-
148,298	147,698	(600)	-	-	-
148,298	148,981	683	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
115,000	115,000	-	-	-	-
33,298	32,698	600	-	-	-
-	-	-	-	4,239	(4,239)
148,298	147,698	600	-	4,239	(4,239)
-	1,283	1,283	-	(4,239)	(4,239)
37,368	37,368	-	4,239	4,239	-
\$ 37,368	\$ 38,651	\$ 1,283	\$ 4,239	\$ -	\$ (4,239)

City of St. Clair Shores, Michigan

	Debt Service Funds					
	1991 MVH			1994 MVH		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Interest income	-	-	-	-	2	2
Other income	-	-	-	-	-	-
Transfers in	-	-	-	493,788	493,788	-
Total revenue	-	-	-	493,788	493,790	2
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works department	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	380,000	380,000	-
Interest and fiscal charges	-	-	-	113,788	113,788	-
Transfers out	-	54	(54)	-	-	-
Total expenditures	-	54	(54)	493,788	493,788	-
Excess of Revenue Over (Under)						
Expenditures	-	(54)	54	-	2	2
Fund Balances - Beginning of year	54	54	-	887	887	-
Fund Balances - End of year	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 887</u>	<u>\$ 889</u>	<u>\$ 2</u>

**Other Supplemental Information
Budgetary Comparison Schedule
Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2008**

Debt Service Funds		
SEMSD Clean Water Initiative		
Final Budget	Actual	Variance with Final Budget
\$ 3,997,766	\$ 3,999,455	\$ 1,689
-	-	-
-	127,833	127,833
-	204,907	204,907
-	7,961	7,961
-	-	-
3,997,766	4,340,156	342,390
-	-	-
-	-	-
-	-	-
-	-	-
1,732,006	284,384	1,447,622
1,672,458	275,165	1,397,293
-	3,144,817	(3,144,817)
3,404,464	3,704,366	(299,902)
593,302	635,790	42,488
3,956,913	3,956,913	-
\$ 4,550,215	\$ 4,592,703	\$ 42,488

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2008

	Motor Pool	Computer Replacement	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,318,614	\$ 130,204	\$ 1,448,818
Due from other funds	139,608	25,891	165,499
Total current assets	1,458,222	156,095	1,614,317
Noncurrent assets - Capital assets - Net	3,233,664	257,818	3,491,482
Total assets	4,691,886	413,913	5,105,799
Liabilities			
Current liabilities:			
Accounts payable	46,475	-	46,475
Accrued and other liabilities	172,284	-	172,284
Due to other governmental units	8,665	-	8,665
Current portion of long-term debt	6,490	-	6,490
Total current liabilities	233,914	-	233,914
Noncurrent liabilities - Long-term debt - Net of current portion	15,066	-	15,066
Total liabilities	248,980	-	248,980
Net Assets			
Invested in capital assets - Net of related debt	3,233,664	257,818	3,491,482
Unrestricted	1,209,242	156,095	1,365,337
Total net assets	<u>\$ 4,442,906</u>	<u>\$ 413,913</u>	<u>\$ 4,856,819</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets - Internal Service Funds Year Ended June 30, 2008

	Motor Pool	Computer Replacement	Total
Operating Revenue			
Charges for services	\$ 1,539,192	\$ -	\$ 1,539,192
Other	<u>58,017</u>	<u>183,152</u>	<u>241,169</u>
Total operating revenue	1,597,209	183,152	1,780,361
Operating Expenses			
Salaries and fringe benefits	234,958	-	234,958
Administrative charge	487,742	-	487,742
Depreciation and amortization	667,115	74,150	741,265
Supplies	475,526	-	475,526
Other	<u>9,927</u>	<u>71,835</u>	<u>81,762</u>
Total operating expenses	<u>1,875,268</u>	<u>145,985</u>	<u>2,021,253</u>
Operating Income (Loss)	(278,059)	37,167	(240,892)
Nonoperating Revenue (Expense)			
Interest income	53,214	5,334	58,548
Loss on disposal of capital assets	<u>(34,234)</u>	<u>(639)</u>	<u>(34,873)</u>
Total nonoperating revenue	<u>18,980</u>	<u>4,695</u>	<u>23,675</u>
Net Change in Net Assets	(259,079)	41,862	(217,217)
Net Assets - Beginning of year	<u>4,701,985</u>	<u>372,051</u>	<u>5,074,036</u>
Net Assets - End of year	<u><u>\$ 4,442,906</u></u>	<u><u>\$ 413,913</u></u>	<u><u>\$ 4,856,819</u></u>

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2008

	Motor Pool	Computer Replacement	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,597,209	\$ 183,152	\$ 1,780,361
Payments to suppliers	(1,018,624)	(77,440)	(1,096,064)
Payments to employees	(221,892)	-	(221,892)
Internal activity - Payments to other funds	(76,348)	-	(76,348)
Other payments	(5,579)	(8,596)	(14,175)
Net cash provided by operating activities	274,766	97,116	371,882
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(1,091,517)	(132,635)	(1,224,152)
Proceeds from sale of capital assets	110,943	229	111,172
Net cash used in capital and related financing activities	(980,574)	(132,406)	(1,112,980)
Cash Flows from Investing Activities - Interest received on investments	53,214	5,334	58,548
Net Decrease in Cash and Cash Equivalents	(652,594)	(29,956)	(682,550)
Cash and Cash Equivalents - Beginning of year	1,971,208	160,160	2,131,368
Cash and Cash Equivalents - End of year	<u>\$ 1,318,614</u>	<u>\$ 130,204</u>	<u>\$ 1,448,818</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ (278,059)	\$ 37,167	\$ (240,892)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	667,115	74,150	741,265
Changes in assets and liabilities:			
Receivables	1,844	-	1,844
Due from other funds	(7,356)	(8,597)	(15,953)
Accounts payable	(45,431)	(5,604)	(51,035)
Accrued and other liabilities	17,745	-	17,745
Due to other funds	(76,348)	-	(76,348)
Due to other governmental funds	(65)	-	(65)
Compensated absences	(4,835)	-	(4,835)
Workers' compensation	156	-	156
Net cash provided by operating activities	<u>\$ 274,766</u>	<u>\$ 97,116</u>	<u>\$ 371,882</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Pension and Other Employee Benefit Trust Funds Fiduciary Funds June 30, 2008

	General Employees' Retirement System	Police and Fire Retirement System	General Employees' Retiree Health Care Fund	Police and Fire Retiree Health Care Fund	Total
Assets					
Cash and cash equivalents	\$ 509,956	\$ 1,498,691	\$ 46,146	\$ 90,139	\$ 2,144,932
Investments:					
Corporate bonds and notes	10,731,936	24,917,672	-	328,778	35,978,386
U.S. government securities	3,983,387	14,073,559	-	581,682	18,638,628
Common and preferred stock	22,469,350	38,448,871	406,033	-	61,324,254
Mutual funds	6,399,161	17,872,766	-	1,748,385	26,020,312
Repurchase agreements	196,213	400,694	-	-	596,907
Investments held by broker-dealer and banks under securities loans:					
Corporate bonds and notes	-	343,867	-	-	343,867
U.S. government securities	1,223,900	2,392,906	-	-	3,616,806
Common and preferred stock	4,200,666	8,391,742	-	-	12,592,408
Due from other governmental units	450,153	754,885	-	-	1,205,038
Accrued interest receivable	134,791	363,546	-	7,116	505,453
Total assets	50,299,513	109,459,199	452,179	2,756,100	162,966,991
Liabilities					
Accrued and other liabilities	345,942	558,792	-	-	904,734
Amounts due to broker under securities lending agreement	5,631,924	11,501,186	-	-	17,133,110
Total liabilities	5,977,866	12,059,978	-	-	18,037,844
Net Assets - Held in trust for pension and other employee benefits	\$ 44,321,647	\$ 97,399,221	\$ 452,179	\$ 2,756,100	\$ 144,929,147

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Pension and Other Employee Benefit Trust Funds Fiduciary Funds Year Ended June 30, 2008

	General Employees' Retirement System	Police and Fire Retirement System	General Employees' Retiree Health Care Fund	Police and Fire Retiree Health Care Fund	Total
Additions					
Investment income:					
Interest and dividends	\$ 1,364,609	\$ 3,381,994	\$ 17,708	\$ 75,915	\$ 4,840,226
Net decrease in fair value of investments	(1,912,729)	(9,419,308)	(33,989)	(192,678)	(11,558,704)
Less investment expenses	<u>(297,695)</u>	<u>(559,567)</u>	<u>(1,866)</u>	<u>(26,047)</u>	<u>(885,175)</u>
Net investment income	(845,815)	(6,596,881)	(18,147)	(142,810)	(7,603,653)
Securities lending income:					
Interest	281,951	647,032	-	-	928,983
Less borrower rebates and bank fees	<u>(238,073)</u>	<u>(565,635)</u>	<u>-</u>	<u>-</u>	<u>(803,708)</u>
Net securities lending income	43,878	81,397	-	-	125,275
Contributions:					
Employer	2,048,129	3,178,644	315,263	410,000	5,952,036
Employee	<u>43,944</u>	<u>512,457</u>	<u>-</u>	<u>-</u>	<u>556,401</u>
Total contributions	<u>2,092,073</u>	<u>3,691,101</u>	<u>315,263</u>	<u>410,000</u>	<u>6,508,437</u>
Total additions - Net of investment returns	1,290,136	(2,824,383)	297,116	267,190	(969,941)
Deductions					
Benefit payments	4,125,239	6,878,932	-	-	11,004,171
Refunds of contributions	2,125	22,962	-	-	25,087
Administrative expenses	<u>28,152</u>	<u>37,243</u>	<u>667</u>	<u>-</u>	<u>66,062</u>
Total deductions	<u>4,155,516</u>	<u>6,939,137</u>	<u>667</u>	<u>-</u>	<u>11,095,320</u>
Net Increase (Decrease)	(2,865,380)	(9,763,520)	296,449	267,190	(12,065,261)
Net Assets Held in Trust for Pension and Other Employee Benefits					
Beginning of year	<u>47,187,027</u>	<u>107,162,741</u>	<u>155,730</u>	<u>2,488,910</u>	<u>156,994,408</u>
End of year	<u>\$ 44,321,647</u>	<u>\$ 97,399,221</u>	<u>\$ 452,179</u>	<u>\$ 2,756,100</u>	<u>\$ 144,929,147</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Agency Funds Fiduciary Funds June 30, 2008

	Agency Funds		
	County and School Tax	General Agency	Total
Assets - Cash and cash equivalents	<u>\$ 65,445</u>	<u>\$ 146,181</u>	<u>\$ 211,626</u>
Liabilities			
Accrued and other liabilities	\$ -	\$ 76,196	\$ 76,196
Due to other governmental units	<u>65,445</u>	<u>69,985</u>	<u>135,430</u>
Total liabilities	<u>\$ 65,445</u>	<u>\$ 146,181</u>	<u>\$ 211,626</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Changes in Assets and Liabilities - Agency Funds Fiduciary Funds Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>County and School Tax Fund</u>				
Assets - Cash and cash equivalents	<u>\$ 44,525</u>	<u>\$ 81,772,880</u>	<u>\$ 81,751,960</u>	<u>\$ 65,445</u>
Liabilities - Due to other governmental units	<u>\$ 44,525</u>	<u>\$ 81,772,880</u>	<u>\$ 81,751,960</u>	<u>\$ 65,445</u>
<u>General Agency Fund</u>				
Assets - Cash and cash equivalents	<u>\$ 126,888</u>	<u>\$ 1,410,137</u>	<u>\$ 1,390,844</u>	<u>\$ 146,181</u>
Liabilities				
Accrued and other liabilities	\$ 48,215	\$ 721,536	\$ 693,555	\$ 76,196
Due to other governmental units	<u>78,673</u>	<u>688,601</u>	<u>697,289</u>	<u>69,985</u>
Total liabilities	<u>\$ 126,888</u>	<u>\$ 1,410,137</u>	<u>\$ 1,390,844</u>	<u>\$ 146,181</u>
<u>Total - All Agency Funds</u>				
Assets - Cash and cash equivalents	<u>\$ 171,413</u>	<u>\$ 83,183,017</u>	<u>\$ 83,142,804</u>	<u>\$ 211,626</u>
Liabilities				
Accrued and other liabilities	\$ 48,215	\$ 721,536	\$ 693,555	\$ 76,196
Due to other governmental units	<u>123,198</u>	<u>82,461,481</u>	<u>82,449,249</u>	<u>135,430</u>
Total liabilities	<u>\$ 171,413</u>	<u>\$ 83,183,017</u>	<u>\$ 83,142,804</u>	<u>\$ 211,626</u>

City of St. Clair Shores, Michigan

Statistical Section Contents

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

Financial Trend Information

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time:

Change in Net Assets - Governmental Activities	94
Change in Net Assets - Business-type Activities	95
Change in Fund Balance - Governmental Funds	96-97
Governmental Fund Balance Designations	98-99
Government-wide Net Assets by Component	100

Revenue Capacity Information

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. The following schedules reflecting revenue capacity information have been presented as part of the continuing disclosure items:

- Property Tax Rates - Direct and Overlapping Government
- Property Tax Levy and Collections
- Principal Taxpayers

Taxable Value and Actual Value of Taxable Property	101-102
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Debt Capacity Information

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. The computation of legal debt margin schedule, which includes debt capacity information, has been presented as part of the continuing disclosure items:

Pledged Revenue Coverage	103-104
Ratio of Outstanding Debt	105-106
Ratio of General Bonded Debt Outstanding	107-108
Computation of Direct and Overlapping Debt	109

City of St. Clair Shores, Michigan

Statistical Section Contents (Continued)

Demographic and Economic Information

The following schedule offers demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. The principal employers schedule, which includes demographic and economic information, has been presented as part of the continuing disclosure items:

Demographic and Economic Statistics	110
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Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Full-time Equivalent Government Employees	111-112
Operating Indicators	113-118
Capital Asset Statistics	119-120

City of St. Clair Shores, Michigan

Change in Net Assets - Governmental Activities Last Six Fiscal Years

	Year Ended June 30					
	2008	2007	2006	2005	2004	2003
Expenses						
General government	\$ 12,453,086	\$ 11,507,165	\$ 10,828,260	\$ 10,007,516	\$ 10,113,712	\$ 9,812,033
Public safety	19,733,839	18,541,990	17,445,205	16,210,759	14,893,061	13,891,907
Public works	12,006,787	11,125,235	10,722,110	9,322,623	9,664,287	8,363,631
Community and economic development	1,666,117	1,911,690	1,306,292	1,658,320	2,016,726	1,316,485
Recreation and culture	6,456,535	6,615,490	6,699,876	6,525,861	6,311,869	6,119,056
Interest on long-term debt	532,035	217,605	1,610,333	2,170,937	1,657,275	1,892,113
Total governmental activities	52,848,399	49,919,175	48,612,076	45,896,016	44,656,930	41,395,225
Program Revenues						
Charges for services						
General government	2,234,427	2,176,094	2,113,145	2,044,894	1,878,715	1,699,076
Public safety	2,027,871	1,900,183	1,901,412	2,005,409	2,027,282	1,599,407
Public works	328,587	566,966	516,875	443,775	385,658	673,884
Community and economic development	326,564	324,650	522,988	498,743	495,442	34,264
Recreation and culture	3,111,409	3,502,611	3,262,167	3,246,565	3,348,600	3,323,534
Interest on long-term debt	3,552	6,337	-	-	-	-
Total charges for services	8,032,410	8,476,841	8,316,587	8,239,386	8,135,697	7,330,165
Operating Grants and Contributions	5,433,694	5,706,069	8,804,915	5,123,863	5,714,200	6,101,823
Capital Grants and Contributions	1,916,964	1,854,423	1,505,949	4,156,805	4,064,822	11,833,415
Total program revenue	15,383,068	16,037,333	18,627,451	17,520,054	17,914,719	25,265,403
Net Expense	(37,465,331)	(33,881,842)	(29,984,625)	(28,375,962)	(26,742,211)	(16,129,822)
General Revenues						
Property taxes	35,128,250	33,662,454	31,194,126	26,356,518	24,893,825	23,394,860
State-shared revenues	5,789,951	6,382,952	5,818,277	5,890,777	5,954,665	6,537,837
Investment earnings	2,478,795	2,725,257	2,820,653	604,229	303,877	353,032
Cable franchise fees	840,918	788,875	727,726	708,795	671,771	635,901
Bond refundings	-	-	-	-	-	4,750,000
Gain (loss) on sale of assets	-	-	83,826	189	-	(9,300)
Miscellaneous	642,205	856,544	1,375,096	481,439	358,377	663,635
Total general revenues	44,880,119	44,416,082	42,019,704	34,041,947	32,182,515	36,325,965
Transfers	(3,410,752)	(4,047,292)	58,000	74,420	(22,598)	53,046
Change in Net Assets	<u>\$ 4,004,036</u>	<u>\$ 6,486,948</u>	<u>\$ 12,093,079</u>	<u>\$ 5,740,405</u>	<u>\$ 5,417,706</u>	<u>\$ 20,249,189</u>

Note: Only six years of data have been disclosed above, as GASB 34 was implemented by the City beginning in fiscal year 2003.

City of St. Clair Shores, Michigan

Change in Net Assets - Business-type Activities Last Six Fiscal Years

	Year Ended June 30					
	2008	2007	2006	2005	2004	2003
Operating Revenue						
Customer fees	\$ 13,757,878	\$ 13,011,630	\$ 14,110,958	\$ 12,630,194	\$ 13,459,585	\$ 12,414,733
Tap fees	22,955	21,007	102,327	71,986	65,020	69,336
Other	89,169	69,360	161,152	145,984	58,205	242,628
Total operating revenue	13,870,002	13,101,997	14,374,437	12,848,164	13,582,810	12,726,697
Operating Expenses						
Water purchases	2,274,257	1,707,711	2,155,948	2,519,293	2,095,196	2,101,577
Sewage disposal charges	5,552,171	4,891,914	5,397,582	6,328,438	5,649,509	4,011,561
Salaries and fringe benefits	1,882,559	1,836,919	1,856,479	1,915,090	2,022,303	2,078,804
Administrative charge	775,048	778,346	761,665	775,377	1,298,686	1,336,839
Repairs and maintenance	1,569,000	2,242,752	1,576,016	1,504,379	1,139,520	1,131,943
Depreciation	1,546,055	1,397,891	1,014,816	753,617	763,907	785,748
Supplies	60,606	65,164	58,137	56,475	50,591	49,407
Other	604,270	590,913	738,955	652,977	590,530	1,980,970
Total operating expenses	14,263,966	13,511,610	13,559,598	14,505,646	13,610,242	13,476,849
Operating Income (Loss)	(393,964)	(409,613)	814,839	(1,657,482)	(27,432)	(750,152)
Nonoperating Revenue (Expenses)						
Property taxes	2,048,368	1,988,159	1,760,731	1,706,740	1,580,592	1,550,474
Investment income	449,731	515,235	280,866	162,060	74,343	86,283
Interest expense	(1,597,217)	(1,994,345)	(65,491)	(80,091)	(120,599)	(141,657)
Federal grants	-	-	-	7,914	21,374	-
Loss on disposal of assets	(3,280)	(4,467)	-	-	-	-
Income - Before contributions and other items	897,602	504,582	1,976,106	1,796,623	1,555,710	1,495,100
Capital Contributions						
Capital grants	51,088	17,825	63,001	17,246	251,175	76,800
Other funds	624,108	1,252,944	-	-	-	114,305
Total capital contributions	675,196	1,270,769	63,001	17,246	251,175	191,105
Transfers from Other Funds	2,844,644	2,852,348	-	-	75,644	-
Transfers to Other Funds	(58,000)	(58,000)	(58,000)	(74,420)	(53,046)	(53,046)
Change in Net Assets	<u>\$ 3,965,478</u>	<u>\$ 4,160,086</u>	<u>\$ 2,795,946</u>	<u>\$ 81,967</u>	<u>\$ 1,802,051</u>	<u>\$ 883,007</u>

Note: Only six years of data have been disclosed above, as GASB 34 was implemented by the City beginning in fiscal year 2003.

City of St. Clair Shores, Michigan

	2008	2007	2006
Revenue			
Property taxes	\$ 35,102,159	\$ 33,591,277	\$ 31,610,755
Licenses and permits	1,307,273	1,262,084	1,429,410
Federal grants	1,464,263	1,897,040	4,801,939
State-shared revenues	9,818,797	10,506,607	9,852,997
Charges for services	3,913,285	4,171,727	3,581,274
Fines and forfeitures	1,788,361	1,878,181	2,014,115
Investment income	2,494,662	2,667,263	2,758,482
Other	1,143,003	1,401,999	2,212,046
Total revenue	57,031,803	57,376,178	58,261,018
Expenditures			
Current:			
General government	11,505,649	10,874,131	10,813,706
Public safety	19,569,224	18,529,292	17,410,562
Public works	10,861,415	13,536,576	16,767,625
Community and economic development	1,642,157	1,894,797	1,295,692
Recreation and culture	4,802,822	4,656,469	4,611,104
Debt service principal	786,715	749,111	2,563,378
Debt service interest	422,775	450,875	2,131,669
Total expenditures	49,590,757	50,691,251	55,593,736
Excess of Revenue Over (Under) Expenditures	7,441,046	6,684,927	2,667,282
Other Financing Sources (Uses)			
Debt issuance	-	-	16,023,220
Transfers in	3,753,828	4,392,014	3,961,860
Transfers out	(6,812,472)	(7,518,362)	(4,098,022)
Debt defeasance	-	-	-
Total other financing sources (uses)	(3,058,644)	(3,126,348)	15,887,058
Net Change in Fund Balances	4,382,402	3,558,579	18,554,340
Fund Balances - Beginning of year	40,305,915	36,747,336	18,192,996
Fund Balances - End of year	\$ 44,688,317	\$ 40,305,915	\$ 36,747,336
Debt Service as a Percentage of Noncapital Expenditures	2.94%	2.88%	11.90%

**Change in Fund Balance
Governmental Funds
Last Ten Fiscal Years**

Year Ended June 30							
2005	2004	2003	2002	2001	2000	1999	
\$ 26,216,797	\$ 24,830,902	\$ 23,351,664	\$ 21,821,038	\$ 21,232,974	\$ 17,920,891	\$ 18,233,589	
1,400,042	1,332,299	1,288,073	1,388,953	1,279,146	1,296,098	1,259,482	
1,070,467	810,681	4,533,774	1,249,583	1,249,409	834,033	2,380,736	
9,941,755	10,870,076	10,615,651	10,861,402	11,481,170	11,285,593	10,820,165	
3,559,584	3,958,426	3,941,713	3,526,016	3,118,675	2,914,756	2,383,018	
2,096,828	1,860,677	1,732,976	1,837,754	1,917,089	2,144,747	1,742,737	
572,690	293,486	343,326	697,256	1,012,646	1,027,385	940,574	
2,245,723	1,107,361	1,205,771	830,481	789,040	737,596	775,182	
47,103,886	45,063,908	47,012,948	42,212,483	42,080,149	38,161,099	38,535,483	
9,747,056	10,136,632	9,560,094	8,803,545	8,091,139	8,926,044	8,780,192	
16,016,638	14,169,232	13,613,575	13,994,050	13,606,540	12,974,387	13,575,574	
12,597,379	11,049,322	14,590,182	34,430,425	12,858,054	7,067,639	7,441,658	
1,539,660	2,004,973	2,121,350	3,230,271	3,426,481	2,708,492	4,212,106	
4,534,909	4,394,431	4,522,684	4,844,980	4,548,841	4,374,351	4,394,925	
2,128,282	2,132,057	1,179,447	931,993	837,293	799,101	985,749	
2,028,811	1,333,430	1,834,736	1,670,646	426,249	469,832	563,143	
48,592,735	45,220,077	47,422,068	67,905,910	43,794,597	37,319,846	39,953,347	
(1,488,849)	(156,169)	(409,120)	(25,693,427)	(1,714,448)	841,253	(1,417,864)	
1,699,146	1,097,702	4,062,474	30,466,320	2,777,107	-	2,085,943	
4,561,746	6,001,429	5,287,746	4,610,625	5,383,382	3,687,908	3,286,542	
(5,021,423)	(6,391,027)	(5,743,150)	(4,900,625)	(5,330,264)	(4,027,908)	(4,310,042)	
-	-	-	(2,976,990)	-	-	(1,540,200)	
1,239,469	708,104	3,607,070	27,199,330	2,830,225	(340,000)	(477,757)	
(249,380)	551,935	3,197,950	1,505,903	1,115,777	501,253	(1,895,621)	
18,442,376	17,890,441	14,692,491	13,186,588	12,070,811	11,569,558	13,465,179	
\$ 18,192,996	\$ 18,442,376	\$ 17,890,441	\$ 14,692,491	\$ 13,186,588	\$ 12,070,811	\$ 11,569,558	
10.96%	9.53%	8.50%	7.47%	3.78%	4.01%	4.73%	

City of St. Clair Shores, Michigan

	Year Ended				
	2008	2007	2006	2005	2004
General Fund:					
Reserved	\$ 7,830,389	\$ 6,741,190	\$ 5,965,913	\$ 5,409,134	\$ 4,849,616
Unreserved	<u>16,263,295</u>	<u>14,462,287</u>	<u>11,679,907</u>	<u>6,936,977</u>	<u>6,701,999</u>
Total General Fund	<u>\$ 24,093,684</u>	<u>\$ 21,203,477</u>	<u>\$ 17,645,820</u>	<u>\$ 12,346,111</u>	<u>\$ 11,551,615</u>
All other governmental funds:					
Reserved	\$ 10,799,346	\$ 10,653,805	\$ 13,471,341	\$ 289,206	\$ 614,254
Unreserved, reported in:					
Special Revenue Funds	4,805,401	4,272,419	2,209,025	2,174,926	2,578,055
Capital Project Funds	95,965	92,413	309,760	-	408,432
Debt Service Funds	<u>4,893,921</u>	<u>4,083,801</u>	<u>3,111,390</u>	<u>3,382,753</u>	<u>3,290,020</u>
Total all other governmental funds	<u>\$ 20,594,633</u>	<u>\$ 19,102,438</u>	<u>\$ 19,101,516</u>	<u>\$ 5,846,885</u>	<u>\$ 6,890,761</u>

**Governmental Fund Balance Designations
Last Ten Fiscal Years**

June 30

2003	2002	2001	2000	1999
\$ 3,840,141	\$ 4,496,463	\$ 4,215,427	\$ 3,752,023	\$ 3,178,185
<u>6,720,658</u>	<u>5,779,624</u>	<u>6,220,532</u>	<u>5,683,990</u>	<u>4,940,657</u>
<u>\$ 10,560,799</u>	<u>\$ 10,276,087</u>	<u>\$ 10,435,959</u>	<u>\$ 9,436,013</u>	<u>\$ 8,118,842</u>
\$ -	\$ -	\$ -	\$ -	\$ -
1,590,074	848,438	1,283,754	1,768,088	1,012,835
1,224,706	1,843,495	614,381	582,826	2,163,324
<u>4,514,862</u>	<u>1,724,471</u>	<u>852,494</u>	<u>283,884</u>	<u>274,557</u>
<u>\$ 7,329,642</u>	<u>\$ 4,416,404</u>	<u>\$ 2,750,629</u>	<u>\$ 2,634,798</u>	<u>\$ 3,450,716</u>

City of St. Clair Shores, Michigan

Government-wide Net Assets by Component Last Six Fiscal Years

	Year Ended June 30					
	2008	2007	2006	2005	2004	2003
Governmental Activities						
Invested in capital assets -						
Net of related debt	\$ 97,185,029	\$ 97,817,670	\$ 85,490,733	\$ 91,266,510	\$ 87,691,385	\$ 80,960,146
Restricted	18,651,499	16,223,006	24,596,879	10,928,070	10,922,405	12,861,728
Unrestricted	12,157,758	9,949,574	10,265,038	6,064,991	3,905,376	3,279,589
Total net assets	<u>\$ 127,994,286</u>	<u>\$ 123,990,250</u>	<u>\$ 120,352,650</u>	<u>\$ 108,259,571</u>	<u>\$ 102,519,166</u>	<u>\$ 97,101,463</u>
Business-type Activities						
Invested in capital assets -						
Net of related debt	\$ 25,470,151	\$ 22,084,903	\$ 22,121,451	\$ 20,561,223	\$ 20,817,968	\$ 20,040,559
Restricted	1,358,426	1,314,898	1,399,865	1,247,015	1,238,993	7,931,153
Unrestricted	20,158,742	19,622,040	15,340,439	14,257,571	13,926,881	6,210,079
Total net assets	<u>\$ 46,987,319</u>	<u>\$ 43,021,841</u>	<u>\$ 38,861,755</u>	<u>\$ 36,065,809</u>	<u>\$ 35,983,842</u>	<u>\$ 34,181,791</u>
Primary Government in Total						
Invested in capital assets -						
Net of related debt	\$ 122,655,180	\$ 119,902,573	\$ 107,612,184	\$ 111,827,733	\$ 108,509,353	\$ 101,000,705
Restricted	20,009,925	17,537,904	25,996,744	12,175,085	12,161,398	20,792,878
Unrestricted	32,316,500	29,571,614	25,605,477	20,322,562	17,832,257	9,489,668
Total net assets	<u>\$ 174,981,605</u>	<u>\$ 167,012,091</u>	<u>\$ 159,214,405</u>	<u>\$ 144,325,380</u>	<u>\$ 138,503,008</u>	<u>\$ 131,283,251</u>

Note: Only six years of data have been disclosed above, as GASB 34 was implemented by the City beginning in fiscal year 2003.

City of St. Clair Shores, Michigan

		Taxable Value by Property Type			
		Real Property			Agricultural
Tax Year	Fiscal Year Ended June 30	Residential	Commercial	Industrial	and Other
1998	1999	\$ 1,179,830,729	\$ 134,535,269	\$ 19,579,197	\$ -
1999	2000	1,211,064,658	144,326,486	18,595,461	-
2000	2001	1,254,057,702	153,999,457	19,019,880	-
2001	2002	1,316,791,725	161,868,462	19,604,994	-
2002	2003	1,382,323,800	171,516,700	19,960,300	-
2003	2004	1,431,082,050	176,523,300	20,556,600	-
2004	2005	1,490,343,700	183,426,900	20,569,000	-
2005	2006	1,552,879,800	196,817,900	19,873,700	-
2006	2007	1,631,850,600	208,359,300	20,933,800	-
2007	2008	1,689,087,100	227,526,100	19,031,600	-

Note 1: Under Michigan law, the revenue base is referred to as “taxable value.” This amount represents assessed value (50 percent of true cash value), limited for each property by the lower of 5 percent or inflation.

Note 2: Taxes levied in a particular “tax year” become revenue of the subsequent fiscal year.

**Taxable Value and Actual Value of Taxable Property
Last Ten Fiscal Years**

Personal Property	Total Value	Direct City Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage of Actual
\$ 63,008,711	\$ 1,396,953,906	12.8333	\$ 3,018,415,712	46.28
67,766,818	1,441,753,423	13.2320	3,455,749,516	41.72
65,115,869	1,492,192,908	14.9975	3,698,365,036	40.35
65,889,360	1,564,154,541	14.7980	3,984,737,566	39.25
63,289,490	1,637,090,290	15.0063	4,298,064,780	38.09
64,030,600	1,692,192,550	15.4504	4,538,070,200	37.29
65,265,200	1,759,604,800	15.8504	4,668,175,800	37.69
67,585,300	1,837,156,700	17.9863	4,812,009,400	38.18
62,338,900	1,923,482,600	18.2755	4,956,830,400	38.80
63,238,100	1,998,882,900	18.3316	4,940,905,600	40.46

City of St. Clair Shores, Michigan

Water and Sewer Revenue Bonds							
Fiscal Year	Applicable			Debt Service		Coverage	
	Gross Revenue	Expenses	Net Revenues	Principal	Interest		
1999	\$ 12,637,206	\$ 10,934,570	\$ 1,702,636	\$ 390,000	\$ 215,664	2.81	
2000	11,682,197	10,827,689	854,508	390,000	215,664	1.41	
2001	11,911,869	9,561,758	2,350,111	390,000	215,664	3.88	
2002	12,968,727	11,041,875	1,926,852	390,000	215,664	3.18	
2003	14,363,454	12,691,101	1,672,353	390,000	215,664	2.76	
2004	15,259,119	12,846,335	2,412,784	270,000	109,695	6.35	
2005	14,716,964	13,752,029	964,935	130,000	66,798	4.90	
2006	16,416,028	12,544,782	3,871,246	150,000	62,948	18.18	
2007	15,605,391	12,133,719	3,471,672	150,000	58,823	16.62	
2008	16,368,101	12,717,911	3,650,190	150,000	54,510	17.85	

**Pledged Revenue Coverage
Last Ten Fiscal Years**

Recreational Revenue Bonds						
Gross Revenues	Applicable Expenses	Net Revenues	Debt Service		Coverage	
			Principal	Interest		
\$ 1,857,250	\$ 1,148,057	\$ 709,193	\$ 235,000	\$ 268,223	1.41	
1,617,209	1,250,397	366,812	260,000	257,970	0.71	
1,752,748	1,412,484	340,264	360,000	233,552	0.57	
1,763,180	1,421,070	342,110	385,000	216,452	0.57	
1,795,653	1,264,434	531,219	250,000	140,683	1.36	
1,833,085	1,316,125	516,960	265,000	126,890	1.32	
1,818,624	1,430,147	388,477	270,000	121,590	0.99	
1,853,656	1,474,654	379,002	275,000	116,190	0.97	
1,729,840	1,455,677	274,163	285,000	109,590	0.69	
1,679,455	1,532,505	146,950	290,000	101,040	0.38	

City of St. Clair Shores, Michigan

	2008	2007	2006	2005
Governmental Activities				
General obligation bonds	\$ 3,100,000	\$ 3,595,000	\$ 4,060,000	\$ 4,965,000
County drain obligations	7,269,688	7,561,403	16,993,909	33,130,581
Special assessment bonds	-	-	-	-
Capital leases	142,375	274,946	436,349	625,053
Total	10,512,063	11,431,349	21,490,258	38,720,634
Business-type Activities				
General obligation bonds	3,480,000	3,610,000	-	-
County drain obligations	36,792,849	38,240,401	30,501,908	-
Special assessment bonds	-	-	-	-
Revenue bonds	4,255,000	4,690,000	5,115,000	5,515,000
Capital leases	-	-	-	-
Total	44,527,849	46,540,401	35,616,908	5,515,000
Total debt of the government	<u>\$ 55,039,912</u>	<u>\$ 57,971,750</u>	<u>\$ 57,107,166</u>	<u>\$ 44,235,634</u>
Total Residential Personal Income	Not available	Not available	Not available	\$ 2,121,359,547
Ratio of total debt to personal income	-	-	-	2.09%
Total Population	60,035	61,028	60,759	61,027
Total debt per capita	\$ 917	\$ 950	\$ 940	\$ 725

**Ratio of Outstanding Debt
Last Ten Fiscal Years**

2004	2003	2002	2001	2000	1999
\$ 5,845,000	\$ 6,735,000	\$ 12,300,000	\$ 11,590,000	\$ 7,475,000	\$ 8,080,000
32,680,113	33,170,724	29,468,113	3,323,958	749,143	943,244
-	-	-	-	-	-
764,017	581,699	738,558	912,039	1,078,121	1,200,104
39,289,130	40,487,423	42,506,671	15,825,997	9,302,264	10,223,348
160,000	310,000	455,000	595,000	725,000	850,000
-	-	-	-	-	-
-	-	-	-	-	-
5,785,000	6,140,000	6,620,000	7,295,000	7,905,000	8,455,000
-	-	32,275	176,275	320,275	474,000
5,945,000	6,450,000	7,107,275	8,066,275	8,950,275	9,779,000
\$ 45,234,130	\$ 46,937,423	\$ 49,613,946	\$ 23,892,272	\$ 18,252,539	\$ 20,002,348
\$ 2,069,406,105	\$ 2,123,774,676	\$ 2,058,999,768	\$ 2,053,706,400	\$ 2,078,634,624	\$ 1,921,441,896
2.19%	2.21%	2.41%	1.16%	0.88%	1.04%
61,343	62,268	62,292	62,613	63,096	61,974
\$ 737	\$ 754	\$ 796	\$ 382	\$ 289	\$ 323

City of St. Clair Shores, Michigan

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Bonded Debt
1999	\$ 8,080,000	\$ -	\$ (274,557)	\$ 2,143,348	\$ 9,948,791
2000	7,475,000	-	(283,884)	1,827,264	9,018,380
2001	11,590,000	-	(852,494)	4,235,997	14,973,503
2002	12,300,000	-	(1,724,471)	30,206,671	40,782,200
2003	6,735,000	-	(4,514,862)	33,752,423	35,972,561
2004	5,845,000	-	(3,290,020)	33,444,130	35,999,110
2005	4,965,000	-	(3,382,753)	33,755,634	35,337,881
2006	4,060,000	-	(3,111,389)	47,932,167	48,880,778
2007	7,205,000	-	(4,083,801)	46,076,750	49,197,949
2008	6,580,000	-	(4,893,921)	44,204,912	45,890,991

**Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Taxable Value		Debt as a Percentage of Taxable Value	Population	Debt per Capita
\$	1,345,870,585	0.74	62,603	159
	1,396,953,906	0.65	61,974	146
	1,441,753,423	1.04	63,096	237
	1,492,192,908	2.73	62,292	655
	1,567,930,820	2.29	62,268	578
	1,638,213,813	2.20	61,343	587
	1,759,604,800	2.01	61,027	579
	1,837,156,700	2.66	60,759	805
	1,923,482,600	2.56	61,028	806
	1,998,882,900	2.30	60,035	764

City of St. Clair Shores, Michigan

Computation of Direct and Overlapping Debt June 30, 2008

Jurisdiction	General Bonded Debt Obligation	Percent Applicable to St. Clair Shores Taxpayers	Amount Applicable to St. Clair Shores Taxpayers
Direct debt - City of St. Clair Shores	\$ 47,162,537	100.00	\$ 47,162,537
Overlapping debt:			
County of Macomb	65,232,854	6.27	4,090,100
Macomb Intermediate	1,500,000	6.15	92,250
L'Anse Creuse Schools	199,258,615	0.08	159,407
Lake Shore Schools	24,120,000	100.00	24,120,000
Lakeview Schools	42,995,000	100.00	42,995,000
South Lake Schools	29,080,000	85.71	24,924,469
Total overlapping debt	362,186,469		96,381,226
Total	<u>\$ 409,349,006</u>		<u>\$ 143,543,763</u>

City of St. Clair Shores, Michigan

Demographic and Economic Statistics Last Ten Years

Fiscal Year Ended June 30	Estimated Population	Personal Income (in Thousands)	Per Capita Personal Income (in Thousands)	Unemployment Rate (Percent) (3)
1999	61,974 (5)	\$ 24,302,127 (1)	\$ 31,004 (1)	3.3
2000	63,096 (4)	26,057,293 (1)	32,941 (1)	3.4
2001	62,613 (5)	26,267,199 (1)	32,800 (1)	4.5
2002	62,292 (5)	26,724,410 (1)	33,054 (1)	5.9
2003	62,268 (5)	27,821,090 (1)	34,107 (1)	6.2
2004	61,343 (5)	27,774,429 (1)	33,735 (1)	6.0
2005	61,027 (5)	28,909,411 (2)	34,987 (2)	7.6
2006	60,759 (5)	29,533,613 (1)	35,602 (1)	7.1
2007	61,028 (5)	Not available (6)	Not available (6)	7.2
2008	60,035 (5)	Not available (6)	Not available (6)	8.5

- (1) Yearly total for Macomb County; data not available on a local level. Data obtained from Michigan Department of Labor and Economic Growth
- (2) Yearly total for Macomb County; data not available on a local level. Updated data was available and obtained from Michigan Department of Labor and Economic Growth
- (3) All unemployment data is from Michigan Employment Security Commission
- (4) From federal census
- (5) State demographer (SEMCOG)
- (6) Data not yet available

City of St. Clair Shores, Michigan

Function/Program	Fiscal				
	2008	2007	2006	2005	2004
General government:					
Court	21	22	21	19	21
City Manager	3	3	3	3	3
Finance	10	10	10	10	11
Clerk/Elections	7	6	5	5	5
Assessing	3	3	4	4	5
Communications	3	0	0	0	0
Information Systems	2	2	3	3	3
Building Maintenance	3	3	4	4	5
Police	101	101	101	99	104
Fire	50	50	50	50	50
Community Development	16	16	15	14	17
DPW Administration*	1	1	1	2	2
Sanitation	2	2	2	1	1
Parks and Recreation Administration	8	8	8	8	9
Recreation	6	7	7	7	6
Arena	8	7	8	8	9
Parks	15	15	15	15	15
Senior Activity Center	8	7	7	7	7
Library and Information Services	21	22	22	20	23
Utility Fund:					
Water	16	16	16	21	23
Sewer	7	8	8	8	8
Storm Sewer	0	1	0	0	3
Motor Pool	3	3	3	4	5
Streets	11	12	13	15	16
Recreational Revenue System:					
Boating	9	9	9	9	8
Swimming Pool	8	7	7	7	7
Golf	21	21	21	18	18
Total	363	362	363	361	384
Full-time employees	268	269	274	281	300
Part-time employees (at full-time equivalent)	95	93	90	80	84
Total	363	362	364	361	384

Figures obtained through actual budgets

* Beginning with fiscal year 2006, the DPW supervisor position was moved to the sanitation department.

**Full-time Equivalent Government Employees
June 30, 2008**

Year				
2003	2002	2001	2000	1999
22	22	22	22	22
4	4	4	4	4
13	13	13	14	14
6	7	7	6	7
6	7	7	6	7
0	0	0	0	0
4	4	4	4	4
5	5	5	5	5
106	108	108	108	106
54	55	55	55	54
18	19	19	19	19
2	2	2	2	2
1	1	1	1	1
9	9	10	10	10
6	6	5	4	4
10	10	10	10	10
17	17	17	17	16
8	8	8	7	7
23	24	24	24	23
23	24	24	24	24
8	9	9	9	9
3	3	3	4	4
5	6	6	6	6
16	18	18	20	20
9	9	8	8	8
7	7	7	7	7
18	18	18	18	18
403	415	414	414	411
307	320	314	321	318
96	95	100	93	93
403	415	414	414	411

City of St. Clair Shores, Michigan

Function/Program	Fiscal Year				
	2008	2007	2006	2005	2004
Police protection:					
Part 1 crimes (1)	1,785	2,139	2,725	2,515	2,485
Part 2 crimes (2)	3,625	4,330	4,713	4,435	4,341
Injury accidents	265	280	279	339	318
Property damage	1,252	1,205	1,231	1,429	1,297
Private property damage (3)	562	383	149	158	156
Civil infractions	16,560	18,022	23,947	18,949	12,857
Parking violations	4,633	5,351	7,440	6,592	4,319
Adult arrests	2,290	2,505	2,420	2,315	2,174
Juvenile arrests	142	177	126	103	149
OUIL arrests	257	216	206	189	190
False alarm billings (3)	1,397	1,281	1,392	1,374	1,600
Fire protection:					
Emergency alarms answered	7,050	6,908	6,271	6,293	6,315
Medical emergencies (EMS)	4,577	4,635	4,894	4,510	4,547
Fire inspections conducted - All types	542	582	1,258	538	701
Code violations	2,317	2,554	3,018	2,182	1,758
Training hours completed	120	845	853	844	764
Library:					
Registered borrowers	27,583	24,218	23,850	23,451	27,638
Items circulated	330,731	338,157	336,518	322,508	307,769
Reference transactions	25,346	24,218	20,816	22,196	28,811
Program attendance	8,878	6,810	8,148	7,174	6,708
Library visits	177,294	174,379	183,515	203,730	203,203
Museum visits	2,441	2,746	2,507	2,487	2,128
Hours of literacy tutoring	954	1,347	1,293	1,413	1,095
Library website logins (3)	115,502	101,215	94,831	95,427	88,500
Electronic database logins (3)	16,897	14,465	11,894	14,874	14,714
Internet sessions (3)	25,984	25,733	26,316	24,099	19,527

Sources: Various city departments and prior year Comprehensive Annual Financial Reports

(1) Murder, criminal sexual conduct, robbery, aggravated assault, burglary, larceny, arson, vehicle theft

(2) Malicious destruction of property, disorderly conduct, assault, family trouble, etc.

(3) Not included in statistical data for all of the last 10 fiscal years - Information was either not tracked or service was not available at that time

Operating Indicators
June 30, 2008

Fiscal Year				
2003	2002	2001	2000	1999
2,659	2,532	2,370	2,641	2,656
3,702	3,541	3,492	3,357	2,116
385	382	427	370	377
1,476	1,378	1,331	1,170	1,254
167	163	159	176	Unknown
10,979	14,055	16,843	18,178	16,996
4,069	5,026	5,528	6,544	6,862
1,878	1,644	1,594	1,844	1,700
123	149	294	154	187
183	117	127	134	142
1,641	1,659	1,657	1,754	Unknown
6,064	6,117	6,072	6,007	5,469
4,328	4,297	4,301	4,231	3,791
2,023	3,400	1,642	1,348	1,371
2,570	3,550	1,622	5,392	5,484
1,014	986	480	369	213
25,451	22,857	20,156	29,971	29,974
310,687	296,499	300,921	291,925	294,368
27,466	25,624	28,851	28,345	27,220
5,784	6,726	6,539	6,332	4,243
211,769	183,271	193,359	195,335	205,509
2,250	2,235	2,828	2,688	2,356
1,165	1,387	1,043	932	1,106
66,304	50,550	N/A	N/A	N/A
17,440	17,357	19,041	23,236	30,402
16,906	15,358	11,623	10,839	N/A

City of St. Clair Shores, Michigan

Function/Program	Fiscal Year				
	2008	2007	2006	2005	2004
Election data (November general election data):					
Registered voters	48,605	47,547	47,798	47,531	46,954
Voters at polls	8,850	20,444	8,956	25,618	9,434
Absentee ballots	6,458	8,411	5,886	10,573	5,903
Percent voting	31.49%	60.69%	31.05%	76.14%	32.66%
40th District Court - Cases handled:					
Civil	2,105	1,860	1,593	1,396	1,383
Criminal	2,155	2,274	1,890	1,795	1,598
Traffic	16,052	17,556	19,718	21,213	18,326
Landlord and tenant	556	436	372	268	316
Small claims	285	288	332	373	403
Parking	4,572	5,190	7,525	6,533	4,286
Code violations (I)	451	256	73	53	43
Water and sewer services:					
Customers:					
Residential	23,997	24,002	23,958	23,952	23,937
Commercial	1,296	1,277	1,272	1,277	1,271
Water (in thousand cubic feet):					
Purchased from Detroit	291,292	279,684	307,220	334,315	301,467
Sold to residents	249,874	241,595	261,208	239,213	266,265
Water rates (in thousand cubic feet):					
1,000 CU feet	\$ 19.60	\$ 18.93	\$ 17.60	\$ 18.95	\$ 19.07
2,000 CU feet	\$ 19.60	\$ 18.93	\$ 17.60	\$ 18.95	\$ 19.07
Over 3,000 CU feet	\$ 19.60	\$ 18.93	\$ 17.60	\$ 18.95	\$ 19.07
Sewer rates (in thousand cubic feet):					
1,000 CU feet	\$ 27.06	\$ 27.06	\$ 26.53	\$ 26.53	\$ 26.12
2,000 CU feet	\$ 27.06	\$ 27.06	\$ 26.53	\$ 26.53	\$ 26.12
Over 3,000 CU feet	\$ 27.06	\$ 27.06	\$ 26.53	\$ 26.53	\$ 26.12

Sources: Various city departments and prior year Comprehensive Annual Financial Report

Operating Indicators (Continued)
June 30, 2008

Fiscal Year				
2003	2002	2001	2000	1999
47,231	49,250	48,989	49,190	49,156
18,641	9,486	33,542	7,917	19,379
7,675	5,570	9,507	5,195	7,331
55.72%	19%	68%	27%	25%
1,479	1,210	963	974	941
1,776	2,035	2,004	1,784	1,763
15,759	18,995	23,569	21,519	17,376
260	214	205	231	171
445	453	386	354	424
4,206	5,315	6,889	5,795	7,191
73	N/A	N/A	N/A	N/A
23,915	23,890	23,852	23,868	23,831
1,281	1,279	1,271	1,283	1,300
329,918	287,550	282,408	299,221	310,103
262,300	260,474	256,197	274,654	285,919
\$ 17.30	\$ 15.20	\$ 16.82	\$ 13.92	\$ 18.01
\$ 17.30	\$ 15.20	\$ 16.82	\$ 13.92	\$ 18.01
\$ 17.30	\$ 15.20	\$ 16.82	\$ 13.92	\$ 18.01
\$ 23.16	\$ 21.35	\$ 19.16	\$ 20.71	\$ 20.35
\$ 23.16	\$ 21.35	\$ 19.16	\$ 20.71	\$ 20.35
\$ 23.16	\$ 21.35	\$ 19.16	\$ 20.71	\$ 20.35

City of St. Clair Shores, Michigan

Function/Program	Fiscal Year				
	2008	2007	2006	2005	2004
Parks and recreation:					
Adult athletic attendance	919	867	880	1,050	1,100
Youth athletic attendance	7,195	6,895	7,165	3,425	3,300
Instructional swim attendance	1,200	1,211	1,000	1,000	1,000
Instructional rec attendance	2,330	2,313	2,350	2,300	2,250
Senior program attendance	39,487	39,684	40,050	38,939	43,897
SMART program attendance	22,795	21,002	20,905	19,259	14,570
USDA meals program/senior meals	10,072	5,861	5,719	5,441	5,096
Health-O-Rama attendance	N/A	163	109	215	146
Seniors apple pie sale (number sold)	1,000	1,000	1,260	1,260	1,260
Senior volunteer hours	17,682	16,405	16,351	16,305	14,736
Summer playground attendance	1,000	1,180	1,200	1,300	1,335
Pool attendance	22,500	22,000	21,800	13,400	12,600
Boat wells rented (1)	247	278	315	325	348
Pool/Waterslide attendance	14,100	13,900	12,000	10,500	10,500
Boat ramp usage	14,800	15,200	15,000	14,500	14,000
Golf course attendance	49,548	51,167	54,124	54,771	58,858
Ice rental - Number of hours (2)	7,182	7,487	7,730	8,443	8,601
Public skating attendance (3)	6,864	6,834	8,110	5,607	6,872
Ice skating lessons attendance	1,765	1,648	1,696	1,570	1,569
Special events attendance (4)	16,053	16,286	16,383	14,231	13,300
Special recreation program attendance	1,200	1,200	1,200	900	850

Sources: Various city departments and prior year Comprehensive Annual Financial Report

- (1) Number of rentals may exceed wells available for rent due to wells being reserved for more than one party during a season
- (2) Rental hours
- (3) Includes public skate, adult skate, shift hockey, and parent/tot skates
- (4) Includes the Ice Show, Autumn Classic, Silver Stick Tournament, and the State Tournament

Operating Indicators (Continued)
June 30, 2008

Fiscal Year				
2003	2002	2001	2000	1999
2,500	2,000	2,000	1,200	1,200
3,000	3,000	3,000	2,790	3,000
1,000	1,000	910	700	840
175	175	100	150	175
48,379	49,578	47,321	49,625	49,292
11,520	13,014	12,689	14,590	14,829
6,306	6,301	6,247	6,992	7,127
176	215	281	257	246
1,260	1,260	1,260	1,260	1,260
13,169	9,732	9,935	9,527	9,966
1,340	1,170	1,530	1,170	1,200
12,000	11,904	17,538	27,945	27,274
353	315	362	365	325
11,500	11,337	19,600	8,573	6,881
13,500	13,000	12,992	12,942	12,650
60,330	65,563	66,273	72,567	76,415
8,583	8,917	9,179	9,148	7,976
8,655	9,122	9,224	14,610	14,610
1,502	1,484	1,565	1,500	1,500
11,500	10,500	10,500	7,500	7,500
360	315	315	300	300

City of St. Clair Shores, Michigan

Function/Program	Fiscal Year				
	2008	2007	2006	2005	2004
Police stations	1	1	1	1	1
Fire stations:					
Stations	3	3	3	3	3
Number of fire hydrants	1,706	1,706	1,706	1,701	1,703
Library:					
Book collections	142,524	140,542	125,188	120,583	113,471
Other collections (1)	16,865	15,034	24,571	22,538	22,718
Other public works:					
Miles of city streets - Primary	35	35.08	35.08	35.08	35.08
Miles of city streets - Secondary	152	152.04	152.04	152.04	152.04
Estimated miles of sidewalks	366	366	365	365	365
Bridges	4	4	4	4	4
Streetlights	4,090	4,090	4,090	4,090	4,090
Parks and recreation:					
Acres	371	371	371	371	371
Developed parks	14	14	14	14	14
Boat wells	362	362	362	362	362
Ice rinks	2	2	2	2	2
Senior center	1	1	1	1	1
Golf course	1	1	1	1	1
Water and sewer:					
Miles of water mains	220	220	220	220	220
Miles of sanitary sewers	229	229	229	229	229

Sources: Various city departments and prior year Comprehensive Annual Financial Report

Note: No capital asset indicators are available for the general government

(1) Includes audio/video cassettes, compact discs, talking books, magazines, etc.

Capital Asset Statistics
June 30, 2008

Fiscal Year				
2003	2002	2001	2000	1999
1	1	1	1	1
3	3	3	3	3
1,704	1,702	1,673	1,658	1,665
114,259	119,030	122,699	128,584	121,259
22,186	24,651	23,413	32,203	27,948
35.08	35.08	35.08	35.08	35.08
152.06	152.06	152.06	152.06	152.07
365	365	365	365	365
4	4	4	4	2
4,089	3,747	3,747	3,747	3,747
371	371	371	371	371
14	14	14	14	14
362	362	362	362	362
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
220	220	220	220	220
229	227	227	227	227

City of St. Clair Shores, Michigan

Continuing Disclosure Items Contents

Property Tax Rates - Direct and Overlapping Government	122-124
State Equalized Valuation and Taxable Valuation	125
Breakdown of Current Taxable Valuation	126
Property Tax Levy and Collections	127
Tax Rate Limitations	128
Population	129
Receipts of Gas and Weight Taxes	130
Computation of Legal Debt Margin	131-132
Debt Statement	133
Revenue-sharing Payments from the State of Michigan - General, Special Revenue, and Debt Service Funds	134
General Fund Revenues from the State of Michigan	135
Principal Employers	136
Principal Taxpayers	137
Water Sold vs. Water Purchased	138
Water Customers and Consumption	139
History of Utility Rates	140-141
Sewer Rates - Commercial and Industrial Users	142
History of Residential Water and Sewer Rate Increases	143
Ten Largest Water and Sewer Customers	144
Historical Net Earnings, Cash Flow, and Debt Service Coverage - Utility Fund	145
Schedule of Bond Maturities	146
General Fund - Fund Balance	147

City of St. Clair Shores, Michigan

Direct City Taxes

Fiscal Year Ended June 30	Operating	Sanitation	Police and Fire Retirement System	Other ACT 359	Police and Fire Operating	Residential Streets	Water	Debt Service	Library	Total Direct Taxes
1999	6.8025	2.5509	1.5759	0.0363	-	0.9986	-	0.5371	0.3320	12.8333
2000	6.7712	2.5392	1.1998	0.0353	-	0.9938	0.9952	0.3655	0.3320	13.2320
2001	6.6960	2.5110	1.1995	0.0341	-	0.9843	0.9843	2.2561	0.3322	14.9975
2002	6.5997	2.4748	1.2579	0.0325	-	0.9700	0.9700	2.1607	0.3324	14.7980
2003	6.5600	2.4599	0.8997	0.0311	-	0.9642	0.9642	2.3690	0.7582	15.0063
2004	6.4766	2.4286	1.4376	0.0301	-	0.9519	0.9519	2.4155	0.7582	15.4504
2005	6.4073	2.4026	1.9296	0.0289	-	0.9417	0.9893	2.2106	0.9404	15.8504
2006	6.3310	2.3740	2.5549	0.0277	1.5737	0.9881	0.9775	2.2302	0.9292	17.9863
2007	6.2987	2.3618	2.9149	0.0265	1.5656	0.9830	0.9725	2.2281	0.9244	18.2755
2008	6.2987	2.3618	2.9363	0.0255	1.5656	0.9830	0.9725	2.2638	0.9244	18.3316

**Property Tax Rates
Direct and Overlapping Government
(Per \$1,000 of Assessed Valuation)
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Tax Rate							
	Lakeview Schools		Lake Shore Schools		South Lake Schools		L' Anse Creuse Schools	
	Homestead	Non-homestead	Homestead	Non-homestead	Homestead	Non-homestead	Homestead	Non-homestead
1999	28.5444	45.9558	31.7444	49.7444	37.1829	49.3044	33.9344	51.9344
2000	28.8941	45.8123	32.0941	50.0941	37.3360	49.6841	34.2841	52.2841
2001	30.4570	48.4570	33.3870	51.3870	38.6149	51.2735	35.9770	53.9770
2002	33.9201	51.9201	33.1701	51.1701	38.6941	51.2579	35.4001	53.1175
2003	35.3979	53.3979	34.6579	52.2115	39.7057	52.6828	37.3979	55.3979
2004	34.7084	52.7084	33.9784	51.2827	38.9937	51.7475	36.7184	54.7184
2005	35.9982	53.9982	35.2782	53.2782	40.2019	53.0473	38.0182	56.0182
2006	37.8321	55.8321	37.3121	55.3121	42.0853	54.6831	40.3621	58.3621
2007	38.1198	56.1198	37.5998	55.5998	42.3695	55.3514	40.6498	58.6498
2008	38.1759	56.1759	37.6559	55.6559	41.9426	55.0775	40.7059	58.7059

City of St. Clair Shores, Michigan

Property Tax Rates Direct and Overlapping Government (Per \$1,000 of Assessed Valuation) Last Ten Fiscal Years (Continued)

Fiscal Year Ended June 30	Total Tax Rate							
	Lakeview Schools		Lake Shore Schools		South Lake Schools		L' Anse Creuse Schools	
	Homestead	Non-homestead	Homestead	Non-homestead	Homestead	Non-homestead	Homestead	Non-homestead
1999	28.5444	45.9558	31.7444	49.7444	37.1829	49.3044	33.9344	51.9344
2000	28.8941	45.8123	32.0941	50.0941	37.3360	49.6841	34.2841	52.2841
2001	30.4570	48.4570	33.3870	51.3870	38.6149	51.2735	35.9770	53.9770
2002	33.9201	51.9201	33.1701	51.1701	38.6941	51.2579	35.4001	53.1175
2003	35.3979	53.3979	34.6579	52.2115	39.7057	52.6828	37.3979	55.3979
2004	34.7084	52.7084	33.9784	51.2827	38.9937	51.7475	36.7184	54.7184
2005	35.9982	53.9982	35.2782	53.2782	40.2019	53.0473	38.0182	56.0182
2006	37.8321	55.8321	37.3121	55.3121	42.0853	54.6831	40.3621	58.3621
2007	38.1198	56.1198	37.5998	55.5998	42.3695	55.3514	40.6498	58.6498
2008	38.1759	56.1759	37.6559	55.6559	41.9426	55.0775	40.7059	58.7059

City of St. Clair Shores, Michigan

State Equalized Valuation and Taxable Valuation Five-year History

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended June 30	State Equalized Valuation	Ad Valorem Taxable Valuation
2006	2007	2008	\$ 2,470,452,800	\$ 1,998,882,900
2005	2006	2007	2,478,415,200	1,923,482,600
2004	2005	2006	2,406,004,700	1,837,156,700
2003	2004	2005	2,334,087,900	1,759,604,800
2002	2003	2004	2,269,035,100	1,692,192,550

Per capita 2008 Ad Valorem Taxable Value is \$33,295 based on the 2008 estimated population of 60,035.

City of St. Clair Shores, Michigan

Breakdown of Current Taxable Valuation June 30, 2008

	Percent
By Use	
Residential	87
Commercial	12
Industrial	<u>1</u>
Total	<u><u>100</u></u>

	Percent
By Class	
Real property	97
Personal property	<u>3</u>
Total	<u><u>100</u></u>

City of St. Clair Shores, Michigan

Property Tax Levy and Collections Last Nine Fiscal Years

Tax Year	Fiscal Years Ended June 30	Total Tax Levy (I)	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
1999	2000	\$ 18,764,223	\$ 18,224,954	97.13	\$ 489,624	\$ 18,714,578	99.74
2000	2001	22,048,516	21,137,409	95.87	648,251	21,785,660	98.81
2001	2002	22,791,665	22,157,028	97.22	582,288	22,739,316	99.77
2002	2003	24,204,066	23,331,506	96.39	740,800	24,072,306	99.46
2003	2004	25,733,163	24,737,402	96.13	831,459	25,568,861	99.36
2004	2005	27,422,108	26,439,347	96.42	843,573	27,282,920	99.49
2005	2006	32,480,499	31,051,615	95.60	1,243,001	32,294,616	99.43
2006	2007	34,541,050	32,938,808	95.36	1,540,009	34,478,817	99.82
2007	2008	35,972,347	33,927,038	94.31	1,929,122	35,856,160	99.68

I. Includes operational, sanitation, police and fire pension, police and fire operating. Act 359, voted water levy and road levy, library and long-term debt, but does not include penalty and interest on late payment of taxes

City of St. Clair Shores, Michigan

Tax Rate Limitations June 30, 2008

The City Charter provides tax rate limitations as follows:

Purpose	Rate (per \$1,000 of State Equalized Valuation)	Maximum Permitted Rate per \$1,000 of Taxable Valuation
General operating	\$ 8.00	\$ 6.2987
Voted street	1.00	0.9830
Voted water	1.00	0.9725
Voted police and fire operating	1.5927	1.5656

The City may levy taxes in excess of the above limitation pursuant to State law for the following purposes:

Purpose	Authority	Rate (per \$1,000 of Taxable Valuation)
Refuse collection and disposal	Act 298, P.A. of Michigan 1917, as amended	\$ 2.3618
Police and fire pension requirements	Act 345, P.A. of Michigan 1937, as amended	Amount required to make contribution
Community promotion	Act 359, P.A. of Michigan 1925, as amended	4.0 or \$50,000 (the lesser of the two)
Library	Act 164, P.A. of Michigan 1877, as amended	0.9244

In addition, Article IX, Section 6 of the State of Michigan Constitution permits the levy of millage in excess of the above for:

1. All debt service on tax-supported bonds issued prior to December 23, 1978 or tax-supported issues that have been approved by the voters for which the issuer has pledged its full faith and credit
2. Operating purposes for a specified period of time provided that said increase is approved by a majority of the qualified electors of the local unit

City of St. Clair Shores, Michigan

Population

2008 (Estimated)*	60,035
2007 (Estimated)*	61,028
2006 (Estimated)*	60,759
2000 U.S. Census	63,096
1990 U.S. Census	68,107
1980 U.S. Census	76,210
1970 U.S. Census	88,093

City of St. Clair Shores, Michigan

Receipts of Gas and Weight Taxes Last Five Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Gas and Weight Tax Monies Received</u>
2008	\$ 3,419,894
2007	3,475,906
2006	3,515,658
2005	3,558,482
2004	3,684,015

City of St. Clair Shores, Michigan

	2008	2007	2006	2005
Calculation of Debt Limit -				
State equalized valuation	\$ 2,470,452,800	\$ 2,478,415,200	\$ 2,406,004,700	\$ 2,334,087,900
Debt limit (10% of equalized value)	247,045,280	247,841,520	240,600,470	233,408,790
Calculation of Debt Subject to Limit				
Total debt	56,417,537	59,531,804	58,790,818	45,975,976
Less debt not subject to limit:				
Special Assessment Bonds	-	-	-	-
Revenue Bonds	4,775,000	5,325,000	5,860,000	6,365,000
LTGO Bonds	3,480,000	3,610,000	-	-
Michigan Transportation Bonds	2,580,000	2,960,000	3,315,000	4,115,000
TIFA Bonds	1,520,000	1,835,000	2,120,000	2,365,000
Net direct debt	44,062,537	45,801,804	47,495,818	33,130,976
Indirect debt - Share of County/ Federal Issued Bonds	-	-	-	-
Net debt subject to limit	44,062,537	45,801,804	47,495,818	33,130,976
Legal debt margin	<u>\$ 202,982,743</u>	<u>\$ 202,039,716</u>	<u>\$ 193,104,652</u>	<u>\$ 200,277,814</u>
Net debt subject to limit as % of debt limit	17.84%	18.48%	19.74%	14.19%

**Computation of Legal Debt Margin
Last Ten Fiscal Years**

2004	2003	2002	2001	2000	1999
\$ 2,269,035,100	\$ 2,149,032,390	\$ 2,022,903,435	\$ 1,849,182,518	\$ 1,727,874,758	\$ 1,509,207,856
226,903,510	214,903,239	202,290,344	184,918,252	172,787,476	150,920,786
44,470,113	49,155,724	51,823,113	25,943,958	20,134,310	21,728,244
-	-	-	-	-	-
6,735,000	7,185,000	7,755,000	8,515,000	9,205,000	9,830,000
-	-	-	-	-	-
4,895,000	5,690,000	6,415,000	5,620,000	6,175,000	6,705,000
2,595,000	2,800,000	2,980,000	3,140,000	3,280,000	3,400,000
30,245,113	33,480,724	34,673,113	8,668,958	1,474,310	1,793,244
160,000	310,000	455,000	595,000	725,000	850,000
30,085,113	33,170,724	34,218,113	8,073,958	749,310	943,244
\$ 196,818,397	\$ 181,732,515	\$ 168,072,231	\$ 176,844,294	\$ 172,038,166	\$ 149,977,542
13.26%	15.44%	16.92%	4.37%	0.43%	0.62%

City of St. Clair Shores, Michigan

Debt Statement June 30, 2008

City Direct Debt	Gross	Self-supporting	Net	Net Debt (1)	
				Per Capita	Percentage of Taxable Valuation
Water and Sewer Revenue Bonds LTGO	\$ 5,100,000	\$ 5,100,000	\$ -		
MTF Bonds LTGO	2,580,000	2,580,000	-		
Revenue Refunding Bonds LTGO	2,635,000	2,635,000	-		
Building Authority Revenue Bonds LTGO	520,000	520,000	-		
Share of County-issued bonds	44,062,537	-	44,062,537		
TIFA Revenue Bonds	1,520,000	1,520,000	-		
Total direct debt	\$ 56,417,537	\$ 12,355,000	\$ 44,062,537	\$ 733.95	2.20

City Overlapping Debt (2)	Gross	City Share as Percentage of Gross	Net City Share	Net Debt (1)	
				Per Capita	Percentage of Taxable Valuation
South Lake School District	\$ 29,080,000	85.71	\$ 24,924,468		
Lakeview School District	42,995,000	100.00	42,995,000		
Lake Shore School District	24,120,000	100.00	24,120,000		
L'Anse Creuse School District	199,258,615	0.08	159,407		
Macomb ISD	1,500,000	6.15	92,250		
Macomb - County at large	65,232,854	6.27	4,090,100		
Total overlapping debt	362,186,469		96,381,225	\$ 1,605.42	4.82
Total City direct and overlapping debt	\$ 418,604,006		\$ 140,443,762	\$ 2,339.36	7.03

- (1) Based on the Southeastern Michigan Council of Governments 2008 estimated population of 60,035 and 2008 ad valorem taxable valuation of \$1,998,882,900
- (2) Overlapping debt is the portion of other taxing units debt for which a City taxpayer is responsible in addition to debt of the City.

City of St. Clair Shores, Michigan

Revenue-sharing Payments from the State of Michigan General, Special Revenue, and Debt Service Funds Last Five Fiscal Years

<u>Years Ended</u> <u>June 30</u>	<u>Revenue-</u> <u>sharing</u> <u>Payments</u>
2004	\$ 10,870,076
2005	10,506,607
2006	9,852,997
2007	10,506,607
2008	9,818,797
<u>Years Ended</u> <u>June 30</u>	<u>Revenue-</u> <u>sharing</u> <u>Payments</u>
2004	\$ 10,870,076
2005	10,506,607
2006	9,852,997
2007	10,506,607
2008	9,818,797

City of St. Clair Shores, Michigan

General Fund Revenues from the State of Michigan Last Five Fiscal Years

Years Ended June 30	Revenue- sharing Payments
2004	\$ 6,104,053
2005	6,238,309
2006	6,291,763
2007	6,190,469
2008	6,164,917

City of St. Clair Shores, Michigan

Principal Employers Current and Nine Years Ago June 30, 2008

Employer	2008			1999		
	Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
Fisher Dynamics	483	1	(1)	552	2	(1)
Lake Shore Public Schools	432	2	(1)	609	1	(1)
South Lake Public Schools	305	3	(1)	315	5	(1)
Lakeview Public Schools	253	6	(1)	283	8	(1)
City of St. Clair Shores	268	5	(1)	306	6	(1)
Stahl's, Inc.	279	4	(1)	440	3	(1)
St. John Health System	235	7	(1)	-		(1)
Michigan Institute Urology	115	8	(1)	-		(1)
First State Bank	108	9	(1)	-		(1)
NGS American	100	10	(1)	-		(1)
Kmart Corporation	-		(1)	200	10	(1)
American Model and Pattern Company	-		(1)	300	7	(1)
Plastec	-		(1)	234	9	(1)
Kroger	-		(1)	423	4	(1)

(1) Data not available

Source: City of St. Clair Shores

City of St. Clair Shores, Michigan

Principal Taxpayers Current and Nine Years Ago Year Ended June 30, 2008

Taxpayer	June 30, 2008			June 30, 1999		
	2007 Taxable Value	Rank	Percentage of Total	1998 Taxable Value	Rank	Percentage of Total
Detroit Edison	\$ 13,582,800	1	0.68	\$ 10,459,135	1	0.75
400 Monroe Associates	11,842,000	2	0.59	7,811,623	2	0.56
Fisher Dynamics	11,453,200	3	0.57	3,103,979	7	0.22
Jefferson Beach Marina	8,140,500	4	0.41	3,076,437	8	0.22
Walgreens	5,020,500	5	0.25	-	-	-
St. John Health System	5,003,900	6	0.25	5,221,127	4	0.37
Consumers Energy	4,335,900	7	0.22	6,234,916	3	0.45
North Shore Associates	3,934,100	8	0.20	3,174,432	6	0.23
Michigan Harbor Marina	3,620,400	9	0.18	-	-	-
Medridge Investments, LLC	3,564,600	10	0.18	-	-	-
BTI Michigan, Inc.	-	-	-	4,184,048	5	0.30
Comcast Cable	-	-	-	2,707,965	9	0.19
Ameritech New Media	-	-	-	2,079,408	10	0.15
Total	<u>\$ 70,497,900</u>		<u>3.53</u>	<u>\$ 48,053,070</u>		<u>3.44</u>

Source: City of St. Clair Shores

City of St. Clair Shores, Michigan

Water Sold vs. Water Purchased

Fiscal Year Ended June 30	Purchased (I)	Sold (I)
1998	\$ 310,013	\$ 242,349
1999	310,103	285,919
2000	299,221	274,654
2001	282,408	256,197
2002	287,550	260,474
2003	329,918	262,300
2004	301,467	266,265
2005	334,315	239,213
2006	307,220	261,208
2007	279,684	241,595
2008	291,292	249,874

(I) Unit = 1,000 metered cubic feet (MCF)

City of St. Clair Shores, Michigan

Water Customers and Consumption

Type of User	Fiscal Year Ended June 30					
	2008	2007	2006	2005	2004	1999
Number of Water Customers						
Residential	23,997	24,002	23,958	23,952	23,937	23,831
Commercial	1,296	1,277	1,272	1,277	1,271	1,300
Total	<u>25,293</u>	<u>25,279</u>	<u>25,230</u>	<u>25,229</u>	<u>25,208</u>	<u>25,131</u>
Water Consumption by Number of Units (1)						
Residential	237,380	229,515	248,148	227,252	252,952	271,371
Commercial	12,494	12,080	13,060	11,961	13,313	14,868
Total	<u>249,874</u>	<u>241,595</u>	<u>261,208</u>	<u>239,213</u>	<u>266,265</u>	<u>286,239</u>
Percent of Water Consumption by Category						
Residential	95%	95%	95%	95%	95%	95%
Commercial	5%	5%	5%	5%	5%	5%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Unit = 1,000 metered cubic feet

City of St. Clair Shores, Michigan

Fiscal Years Ended June 30	Water		Sanitary Sewer	
	Per MCF	Percent Change	Per MCF	Percent Change
1999	18.01	6.51	20.35	6.49
2000	16.82	(6.61)	19.16	(5.85)
2001	13.92	(17.24)	20.71	8.09
2002	15.20	9.20	21.35	3.09
2003	17.30	13.82	23.16	8.48
2004	19.07	10.23	26.12	12.78
2005	18.95	(0.63)	26.53	1.57
2006	17.60	(7.12)	26.53	-
2007	18.93	7.56	27.06	2.00
2008	19.60	3.54	27.06	-

(1) Based on a non-lakefront residential lot

(2) Based on average consumption of 2.5 thousand cubic feet

History of Utility Rates

Storm Sewer			Average Quarterly Bill		
Per Quarter (1)	Percent Change	Billing Charge Per Quarter	Operation and Maintenance Charge Per Quarter	Amount (2)	Percent Change
6.00	19.52	3.00	0.49	105.39	6.93
6.00	-	3.00	0.49	99.44	(5.65)
6.00	-	3.00	0.49	96.07	(3.39)
6.00	-	3.00	0.49	100.87	5.00
6.00	-	3.00	0.49	110.64	9.69
6.00	-	3.00	0.49	123.81	11.90
6.00	-	3.00	0.49	123.91	0.08
10.59	76.50	3.00	0.49	124.39	0.39
11.15	5.29	3.00	0.49	129.62	4.19
10.09	(9.51)	3.00	0.49	130.23	0.47

City of St. Clair Shores, Michigan

Sewer Rates - Commercial and Industrial Users (1)

Meter Size	Fiscal Year Ended June 30				
	2008	2007	2006	2005	2004
5/8"	\$ 17.37	\$ 17.07	\$ 14.22	\$ 13.50	\$ 17.88
3/4"	26.07	25.62	21.36	20.22	26.85
1"	43.44	42.66	35.58	33.72	44.73
1-1/2"	95.55	93.87	78.27	74.16	98.40
2"	138.96	136.50	113.85	107.88	143.10
3"	251.88	247.41	206.34	195.54	259.38
4"	347.40	341.25	284.61	269.70	357.75
6"	521.10	511.89	426.90	404.58	536.64

- (1) Commercial and industrial users pay this additional charge quarterly based on the size of their water meter

City of St. Clair Shores, Michigan

History of Residential Water and Sewer Rate Increases

	Average Quarterly Bill (1)	Percent Change
Effective 07/01/99	\$ 99.44	\$ (5.65)
Effective 07/01/00	96.07	(3.39)
Effective 07/01/01	100.87	5.00
Effective 07/01/02	110.64	9.69
Effective 07/01/03	123.81	11.90
Effective 07/01/04	123.91	0.08
Effective 07/01/05	124.39	0.39
Effective 07/01/06	129.62	4.19
Effective 07/01/07	130.23	0.47
Effective 07/01/08	139.04	6.77

(1) Average monthly bill assumes approximately 2,500 metered cubic feet usage and 5/8" water meter.

City of St. Clair Shores, Michigan

Ten Largest Water and Sewer Customers Fiscal Year Ended June 30, 2008

Customer	Usage (1)	Percent of Total (2)	Revenue	Percent of Total (3)
Lakeshore Village	3,837	1.59	\$ 196,741	1.42
Shore Club	2,183	0.90	104,158	0.75
Williamsburg	1,821	0.75	90,967	0.66
Northshore	1,279	0.53	63,428	0.46
Woodbridge East	1,276	0.53	63,359	0.46
Bon Secour	1,274	0.53	68,763	0.50
Butcher Boy	1,110	0.46	53,979	0.39
Leisure Manor	947	0.39	46,265	0.33
Riviera Terrace	936	0.39	47,253	0.34
St. John's	743	0.31	41,459	0.30
Total	15,406	6.38	\$ 776,372	5.61

(1) Unit = 1,000 metered cubic feet

(2) Based on June 30, 2008 total water sales of 249,874 units

(3) Based on June 30, 2008 operating revenue of \$13,870,002

City of St. Clair Shores, Michigan

Historical Net Earnings, Cash Flow, and Debt Service Coverage - Utility Fund Last Five Years

	Fiscal Year Ended June 30				
	2008	2007	2006	2005	2004
Operating revenues	\$ 13,870,002	\$ 13,101,997	\$ 14,374,437	\$ 12,848,164	\$ 13,604,184
Operating expenses	<u>14,263,966</u>	<u>13,511,610</u>	<u>13,559,598</u>	<u>14,505,646</u>	<u>13,610,242</u>
Operating income (loss)	(393,964)	(409,613)	814,839	(1,657,482)	(6,058)
Other revenues	5,342,743	5,355,742	2,041,597	1,868,800	1,654,935
Other expenses	<u>(1,658,497)</u>	<u>(2,056,812)</u>	<u>(123,491)</u>	<u>(154,511)</u>	<u>(120,599)</u>
Net income	3,290,282	2,889,317	2,732,945	56,807	1,528,278
Plus:					
Depreciation	1,546,055	1,397,891	1,014,816	753,617	763,907
Interest expense	<u>1,597,217</u>	<u>1,994,345</u>	<u>65,491</u>	<u>80,091</u>	<u>120,599</u>
Cash available for debt service	<u>\$ 6,433,554</u>	<u>\$ 6,281,553</u>	<u>\$ 3,813,252</u>	<u>\$ 890,515</u>	<u>\$ 2,412,784</u>
Debt service (1)	\$ 209,048	\$ 213,173	\$ 197,023	\$ 191,282	\$ 212,610
Historical debt service coverage	35.34x	29.47x	19.35x	4.70x	11.35x

(1) Includes principal and interest payments on all current and prior revenue bonds

City of St. Clair Shores, Michigan

Schedule of Bond Maturities

Year	Authority Bonds	Municipal Purchase Agreements	Revenue Bonds	Drain	Water LTGO	MTF Bonds
2009	\$ 455,000	\$ 92,375	\$ 440,000	\$ 1,788,573	\$ 135,000	\$ 395,000
2010	500,000	50,000	460,000	1,839,892	140,000	410,000
2011	530,000	-	475,000	1,902,009	145,000	425,000
2012	555,000	-	495,000	1,956,315	150,000	435,000
2013	-	-	510,000	2,026,313	155,000	450,000
2014	-	-	530,000	2,076,938	165,000	465,000
2015	-	-	555,000	2,144,546	170,000	-
2016	-	-	575,000	2,221,797	175,000	-
2017	-	-	215,000	2,285,645	185,000	-
2018	-	-	-	2,368,294	190,000	-
2019	-	-	-	2,449,887	200,000	-
2020	-	-	-	2,533,682	210,000	-
2021	-	-	-	2,619,162	220,000	-
2022	-	-	-	2,713,451	225,000	-
2023	-	-	-	2,814,154	235,000	-
2024	-	-	-	1,279,265	250,000	-
2025	-	-	-	1,319,254	260,000	-
2026	-	-	-	1,386,692	270,000	-
2027	-	-	-	1,462,359	-	-
2028	-	-	-	1,542,239	-	-
2029	-	-	-	1,624,481	-	-
2030	-	-	-	1,707,589	-	-
Total	<u>\$ 2,040,000</u>	<u>\$ 142,375</u>	<u>\$ 4,255,000</u>	<u>\$ 44,062,537</u>	<u>\$ 3,480,000</u>	<u>\$ 2,580,000</u>

Debt history: There is no record of default.

Note: The difference between this schedule and the LTD footnote relates to unamortized deferred refunding cost and issue cost for the Water and Sewer 2004 Refunding Bonds, Water and Sewer 2006 Limited Tax Obligation Bonds, and Recreation Revenue 2003 Refunding Bonds, totaling \$82,290, \$67,973, and \$155,917, respectively, as of June 30, 2008.

City of St. Clair Shores, Michigan

General Fund - Fund Balance Last Five Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Fund Balance</u>
2008	\$ 24,093,684
2007	21,203,477
2006	17,645,820
2005	12,346,111
2004	11,551,615

City of St. Clair Shores, Michigan

**Report on Internal Controls and Other Matters
to the Honorable Mayor and City Council
June 30, 2008**



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plante Moran.com

To the Honorable Mayor
and City Council
City of St. Clair Shores, Michigan

We have recently completed our audit of the basic financial statements of the City of St. Clair Shores, Michigan (the "City") for the year ended June 30, 2008. In addition to our audit report, we are providing the following communication.

	<u>Page</u>
Results of the Audit (SAS 114 Letter)	2-5
Internal Control Items and Other Matters	6-8

This communication is intended solely for the information and use of management, the Honorable Mayor, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

We are grateful for the opportunity to be of service to the City of St. Clair Shores, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC

David W. Herrington

Jenny L. Cederstrom

Results of the Audit

October 22, 2008

To the Honorable Mayor
and City Council
City of St. Clair Shores, Michigan

We have audited the financial statements of City of St. Clair Shores, Michigan for the year ended June 30, 2008 and have issued our report thereon dated October 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 10, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of City of St. Clair Shores, Michigan. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of City of St. Clair Shores, Michigan's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of City of St. Clair Shores, Michigan's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have made this communication as part of our single audit report (the federal awards supplemental information report) dated October 22, 2008.

We are also obligated to communicate certain matters related to our audit to those responsible for the governance of City of St. Clair Shores, Michigan, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 10, 2008.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of St. Clair Shores, Michigan are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are the capital assets and long-term debt recorded to account for the City's portion of the Lake St. Clair Clean Water Initiative construction project.

The City's portion of the capital assets and long-term debt has been determined based on estimates provided by Macomb County, the administrator of the project. We evaluated the key factors and assumptions used in determining the estimated amounts, and believe the amounts recorded are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No material journal entries (corrected or uncorrected) were identified as a result of our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated October 22, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the City's auditors.

Single Audit Report Communication

In addition to the comments and recommendations in this letter, our observations and comments regarding the City's internal controls have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the supplemental schedule of federal awards (single audit report) and we recommend that the matters we have noted there receive your careful consideration.

To the Honorable Mayor
and City Council
City of St. Clair Shores, Michigan

October 22, 2008

District Court Report Communication

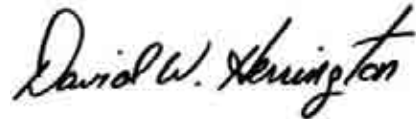
In addition to the comments and recommendations in this letter, our observations and comments regarding the internal controls of the District Court Funds of District No. 40 have been reported in a separate letter addressed to the Honorable Judges of District No. 40, dated October 22, 2008.

This communication is intended solely for the information and use of management, the Honorable Mayor, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

We are grateful for the opportunity to be of service to the City of St. Clair Shores, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "David W. Herrington". The script is cursive and fluid.

David W. Herrington

A handwritten signature in black ink that reads "Jenny L. Cederstrom". The script is cursive and fluid.

Jenny L. Cederstrom

Internal Control Items and Other Matters

October 22, 2008

To the Honorable Mayor
and City Council
City of St. Clair Shores, Michigan

We have recently completed the financial statement audit for the City of St. Clair Shores, Michigan for the year ended June 30, 2008, and offer the following observations and comments for your consideration:

Bank Reconciliations

We commend the City for the timeliness and accuracy of the bank reconciliation process; however, we could not verify the extent of a supervisory review, as the reconciliations were not initialed and dated. In order to further improve documentation and accountability over this key control procedure, we recommend that both the preparer and reviewer sign and date the bank reconciliations on a monthly basis. It is our understanding that these controls have been implemented subsequent to year end.

Information Technology

As part of our audit this year, an IT specialist reviewed the City's general IT controls in order for us to assess the impact on our auditing procedures. Although no significant control issues were discovered in this limited review, there are a few items for your consideration. We have included those comments in an attachment to this communication.

Other Information Items

Property Tax Revenue - As has been widely publicized, recent conditions in the real estate market are expected to have a negative impact on taxable values. The good news is that a given drop in market values will not result in an equivalent drop in taxable values because of the gap between assessed value and taxable value. On the other hand, this dampened effect is diminished each year we continue with market declines and the gap lessens between the two values. In other words, if we were to experience a theoretical 10 percent market decline for three consecutive years, the effect on taxable value (which would be different for each community) might be a 1 percent drop the first year, 4 percent the next year, and 7 percent in the third. For this reason, it will be important to closely monitor taxable value, since this has the capacity to severely impact future years.

Potential Legislation Impacting Property Taxes - As a response to the situation with the real estate market, legislation is being discussed in Lansing to adjust the mechanics of the general property tax act.

The nature of the legislation has ranged from the suspension of the “pop-up” or increase in taxable value that occurs when a property sells or a “super cap” on taxable value that prohibits an increase in taxable value when market values are declining. The outcome of this legislation could also have a significant impact on the City.

Lastly, more personal property tax relief is also part of the new Michigan business tax. Business personal property classified as “industrial” or “commercial” will be exempt from certain personal property taxes - specifically from the state education tax (SET) and local school operating mills. Industrial personal property will receive exemptions from the six SET mills and the 18 schools operating mills (for a total 24 mill exemption). Commercial personal property will be exempt from 12 of the 18 school operating mills.

Revenue Sharing - There appears to be some positive news relative to the state legislature’s funding of state-shared revenue. While we still remain cautious about this important revenue source, the current proposals call for a small increase in the statutory portion of funding for the year beginning October 1, 2008. However, to a great extent, actual revenue-sharing distributions will depend on the stability of the State’s budget, as well as the actual level of state tax collections. In addition, the statutory formula expired in 2007 and a new, permanent formula has not been enacted.

We will continue to monitor this revenue source and inform you of any significant changes.

Retiree Health Care - As you are aware, the City provides postemployment benefits to all full-time employees and their spouses and dependents upon retirement, in accordance with labor contracts. For the year ended June 30, 2008, the cost of these benefits amounted to approximately \$3,801,000.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, you will not need to change your budgeting practices.

To the Honorable Mayor
and City Council
City of St. Clair Shores, Michigan

October 22, 2008

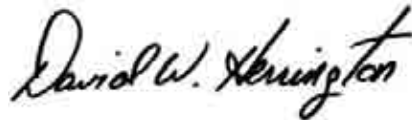
The promise to provide health care to retirees is very similar to the promise to provide an annual pension check. Similar to the current accounting for the pension systems, the new pronouncement will require the City to obtain an actuarial valuation of the obligation to provide retiree healthcare benefits. In addition, the City's funding status, or the progress it has made in accumulating assets to pay for this liability, will be disclosed in the financial statements. Lastly, the City will be required to make an annual contribution equal to the amount that the actuary deems necessary to fund the liability. The changes required under GASB Statement No. 45 will be effective in 2009. We would be happy to assist the City in further understanding the provisions of GASB Statement No. 45.

This communication is intended solely for the information and use of management, the Honorable Mayor, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

We are grateful for the opportunity to be of service to the City of St. Clair Shores, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "David W. Herrington". The signature is written in a cursive, flowing style.

David W. Herrington

A handwritten signature in black ink that reads "Jenny L. Cederstrom". The signature is written in a cursive, flowing style.

Jenny L. Cederstrom

City of St. Clair Shores, Michigan

**Federal Awards
Supplemental Information
June 30, 2008**

City of St. Clair Shores, Michigan

Contents

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9-10



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Independent Auditor's Report

To the Honorable Mayor and City Council
City of St. Clair Shores, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair Shores, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City of St. Clair Shores, Michigan's basic financial statements, and have issued our report thereon dated October 22, 2008. Those basic financial statements are the responsibility of the management of the City of St. Clair Shores, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Clair Shores, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 22, 2008



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Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and City Council
City of St. Clair Shores, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair Shores, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City of St. Clair Shores, Michigan's basic financial statements, and have issued our report thereon dated October 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of St. Clair Shores, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Clair Shores, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of St. Clair Shores, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To the Honorable Mayor and City Council
City of St. Clair Shores, Michigan

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Clair Shores, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 22, 2008



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Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and City Council
City of St. Clair Shores, Michigan

Compliance

We have audited the compliance of the City of St. Clair Shores, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of the City of St. Clair Shores, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of St. Clair Shores, Michigan's management. Our responsibility is to express an opinion on the City of St. Clair Shores, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. Clair Shores, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of St. Clair Shores, Michigan's compliance with those requirements.

In our opinion, the City of St. Clair Shores, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

To the Honorable Mayor and City Council
City of St. Clair Shores, Michigan

Internal Control Over Compliance

The management of the City of St. Clair Shores, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of St. Clair Shores, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to the City Council and management in a separate letter dated October 22, 2008.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alanta + Moran, PLLC

October 22, 2008

City of St. Clair Shores, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity		Federal Expenditures
		Project/Grant Number	Award Amount	
U.S. Department of Housing and Urban Development - Direct programs - Community Development Block Grant:	14.218	N/A		
Program year 2005-B04-MC-26-0013			\$ 1,116,000	\$ 13,525
Program year 2006-B05-MC-26-0013			1,064,637	35,517
Program year 2007-B06-MC-26-0013			955,133	525,658
Program year 2008-B07-MC-26-0013			956,865	854,110
Total Community Development Block Grant				1,428,810
U.S. Department of Transportation - Passed through State of Michigan Department of Transportation - Federal Highway Administration	20.205			
		BRO0650-016	70,653	70,653
		IM0750-016	134,045	134,045
		IM0650-013	101	101
		IM0750-017	79,117	79,117
		IM0650-014	12	12
		IM0650-052	138,569	138,569
		BRO0650-015	115,453	115,453
		NH0550026	90,245	90,245
		HPSL0750-025	706,850	706,850
		STP0750-045	312	312
		BHI0250-027	176	176
		STP0850-015	131,771	131,771
Total U.S. Department of Transportation				1,467,304
U.S. Department of Homeland Security - Passed through the Michigan Department of State Police - Homeland Security Grant (2006)	97.067	N/A	6,761	6,761
U.S. Department of Justice:				
Direct Programs:				
COPS Technology Initiative (2006)	16.710	N/A	256,098	2,300
Bullet Proof Vest Partnership Program (2004)	16.607	N/A	9,408	2,851
Bullet Proof Vest Partnership Program (2005)	16.607	N/A	8,065	311
Bullet Proof Vest Partnership Program (2006)	16.607	N/A	3,572	295
Justice Assistance Grant (2007)	16.738	N/A	17,471	17,471
Indirect Programs - Passed through the City of Fraser - Enforcing Underage Drinking Laws	16.727	N/A	15,235	5,759
Total U.S. Department of Justice				28,987
Total federal awards				<u><u>\$2,931,862</u></u>

City of St. Clair Shores, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 1,464,263
Current year deferred revenue recognized as revenue in a year subsequent to the year ended June 30, 2008	295
Michigan Department of Transportation administered grant revenue not reported in basic financial statements	<u>1,467,304</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 2,931,862</u></u>

City of St. Clair Shores, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of St. Clair Shores, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 27,184

City of St. Clair Shores, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant
20.205	Federal Highway Administration

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

City of St. Clair Shores, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None